

DAILY REPORT

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REPORTAGE ON 2D DAY OF U.S.-SOVIET GENEVA SUMMIT

U.S., USSR Admit 'Differences'

OW201905 Beijing XINHUA in English 1852 GMT 20 Nov 85

[Text] Geneva, November 20 (XINHUA) -- U.S. President Ronald Reagan and Soviet leader Mikhail Gorbachev today ran into the second day of the superpower summit admitting differences still exist between the two countries. Today's summit included two full sessions of formal talks and a private meeting -- with two leaders and their interpreters present only. The private talks again lasted much longer than scheduled.

A news blackout imposed throughout the summit prevented reporters from knowing how today's talk was going on, but White House spokesman Larry Speakes quoted Reagan as telling Gorbachev that "there is much that divides" the two superpowers. "Our differences are serious but so is our commitment to improving understanding," Reagan said.

Soviet spokesman Leonid Zamyatin said today's talks covered "the great international problems and certain questions of Soviet-American relations." At their centre, he added, was "the key question of war and peace, the limitation of the arms race." He refused further details, adding that "There are obviously disagreements between Washington and Moscow, but that does not mean the two parties are not trying to overcome them." So many differences could not be settled in two days, Zamyatin said, but the summit had been a "first step".

According to Soviet officials, Gorbachev will hold a press conference tomorrow morning but Speakes declined to say whether Reagan also would hold a news conference, adding that the schedule for Thursday was being worked out.

Both Soviet and American officials said Reagan and Gorbachev engaged in issues of substance rather than mere small talks and meetings proceeded in "good atmosphere". Gorbachev said this afternoon as he went into a further private session with Reagan, scheduled to last 15 minutes, that disarmament was "at the center of my discussions with the President."

3d Session of Talks Held

OW201928 Beijing XINHUA in English 1909 GMT 20 Nov 85

[Text] Geneva November 20 (XINHUA) -- U.S. President Ronald Reagan and Soviet leader Mikhail Gorbachev this morning held their third session of the superpower summit, beginning with private talks which again ran well over the scheduled 15 minutes to more than an hour. The session was believed to be centered on regional issues, another major topic of the summit's agenda, along with arms control and bilateral relations. A news blackout imposed at the summit is preventing details from being made public.

Earlier, U.S. sources said Reagan was expected to press Gorbachev for a possible timetable for Soviet military withdrawal from Afghanistan. The sources also said that Gorbachev was expected to respond by criticizing the United States' support for the Nicaraguan anti-government forces.

The morning session was held at the Soviet Mission to the European Headquarters of the United Nations, located near the Palace of the Nations.

On his arrival at the meeting place, Reagan was asked how his first two sessions yesterday with Gorbachev were going. He replied: "Fine." Gorbachev commented: "We had a very lively discussion of everything." The Soviet leader added that while looking at all the problems that are of concern to both the Soviet people and the American people, and the people of other countries, "that fact is that this is a responsible discussion." Gorbachev described the talks as "frank, businesslike and responsible."

Yesterday a Soviet official said: "What we are looking for is what will happen after the summit, whether Mr. Reagan sincerely wants to improve relations."

Rumors in the press center here indicated that the summit meeting might be extended into tomorrow morning, but U.S. spokesman Larry Speakes would neither confirm nor deny that possibility.

Soviets 'Soften Rhetoric'

OW201516 Beijing XINHUA in English 1451 GMT 20 Nov 85

["Soviet Press Softens Rhetoric Against U.S." -- XINHUA headline]

[Text] Moscow, November 20 (XINHUA) -- After a month-long pre-summit public relations blitz against the United States, the official Soviet press today notably softened its rhetoric and observed the news blackout imposed on the U.S.-Soviet Geneva summit.

Instead of lengthy articles that had kept pouring out in major Soviet newspapers denouncing Washington for its "star wars" project, the press reported the response and expectations of foreign countries for the on-going two-day superpower summit that began yesterday.

Apparently observing the U.S.-Soviet imposed news blackout on the summit, Moscow newspapers carried only two reports from Geneva on Soviet leader Mikhail Gorbachev's separate meetings yesterday with U.S. President Ronald Reagan and a U.S. peace campaigners' delegation. But no details were released as agreed upon by both Soviet and U.S. officials at the beginning of the Gorbachev-Reagan summit, the first U.S.-Soviet top-level contact since 1979.

'Good Progress' Reported

OW210100 Beijing XINHUA in English 0043 GMT 21 Nov 85

[Text] Geneva, November 20 (XINHUA) -- U.S. President Ronald Reagan and Soviet leader Mikhail Gorbachev made "good progress" in their final full session of the summit meeting this afternoon, announced U.S. spokesman Larry Speakes.

The two leaders met for three hours for further discussions on a number of major issues on the meeting's agenda. "Good progress was made, but some work remains to be done," Speakes said. He said, "There are broad areas of agreement and other areas on which further discussions must take place."

He refused to specify in which areas agreement had been reached on grounds that the news blackout imposed from the outset of the summit meeting remained in effect. He said the two leaders had instructed a working group of their advisers to continue discussions and report to them tonight. They would make final decisions after hearing a report from the group "on the areas of agreement and the issues that remain to be decided," he said.

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"The United States is committed to finding areas of agreement and seeks progress in improving understanding" with the Soviet Union, the spokesman said.

This morning, President Reagan also told reporters that "Our differences are serious, but so is our commitment to improving understanding."

The Soviet side did not hold any press conference today, but Soviet spokesman Zamyatin was reported to have said that while the two countries "could not solve all the problems" during the summit, "this does not mean the two sides are not trying to come to some type of accord."

Summit Talks Conclude

OW210204 Beijing XINHUA in English 0149 GMT 21 Nov 85

[Text] Geneva, November 20 (XINHUA) -- U.S. President Ronald Reagan and Soviet leader Mikhail Gorbachev ended their two days of formal summit meeting with no specific results announced on either subject of the agenda.

Spokesman of both the U.S. and Soviet delegations told reporters late tonight that the two leaders would participate in a "ceremony" tomorrow morning at the International Conference Center here. But they declined to say whether a joint statement would be issued at the ceremony.

The two leaders had four sessions, with most of the time spent in private conversations with only interpreters present.

U.S. spokesman Larry Speakes said this afternoon, that "good progress" was made in the last session of the talks, but he refused to disclose in what areas concrete results were reached.

A working group of advisers to the two leaders continued discussions tonight before attending a dinner hosted by President and Mrs. Reagan in honor of Gorbachev and his wife. Prior to the dinner, Reagan and Gorbachev attended a reception given in their honor by Swiss President Kurt Furgler, at which Gorbachev told reporters that he had received an invitation from Reagan to visit the United States. He did not say whether he had accepted the invitation or not. Asked whether they had reached any agreement, Gorbachev said, "We have more work to do."

Informed sources here said the working group might have another session of discussion tomorrow morning before the two leaders jointly appear at the conference center.

Joint Statement Issued

OW211108 Beijing XINHUA in English 1057 GMT 21 Nov 85

[Text] Geneva, November 21 (XINHUA) -- U.S. President Ronald Reagan and Soviet leader Mikhail Gorbachev concluded their summit today with a joint statement saying they had agreed to accelerate discussions on nuclear arms control negotiations in Geneva. The statement was issued at the closing ceremony held in the International Conference Center here.

The joint statement said the two leaders agreed to meet again "in the nearest future." No dates were set but White House sources said Gorbachev would probably come to Washington next year and Reagan would visit Moscow in 1987.

It said the summit discussions "covered the basic question of U.S.-Soviet relations and the current international situation. The meetings were frank and useful." It also said "serious differences remain on a number of critical issues."

They also agreed to sign specific minor bilateral agreements, including accords on civil aviation, an exchange of consulates in New York and Kiev, northern Pacific air safety, and cultural exchange.

After Reagan and Gorbachev finished speaking, U.S. Secretary of State George P. Shultz and Soviet Foreign Minister Eduard Shevardnadze sat down at a table on the podium to sign the documents the two sides had agreed upon.

ZHAO ZIYANG PROPOSES UN CONVENTION RATIFICATION

OW200523 Beijing International Service in Mandarin 0900 GMT 19 Nov 85

[Text] The 13th meeting of the 6th NPC Standing Committee, currently in session in Beijing, heard a motion submitted by Premier of the State Council Zhao Ziyang on 18 November concerning examination and ratification of the convention on the protection of the world's cultural and natural inheritance.

The motion says: In order to more actively and effectively preserve and protect our country's rich cultural and natural inheritance, and facilitate cooperation between China and other countries in this regard, it is necessary for China to join the convention. Ratified by the UNESCO General Meeting, the convention has formally been in force since 17 December 1975. So far, 84 countries have ratified or accepted the convention.

PRC DELEGATE URGES CLOSER SOUTH-SOUTH COOPERATION

OW201224 Beijing XINHUA in English 1128 GMT 20 Nov 85

[Excerpt] Geneva, November 19 (XINHUA) -- Chinese delegate to the Fourth Session of the Developing Countries' Committee for Economic Cooperation called on these countries to base their economic effort on South-South cooperation.

In a speech before the committee meeting today, Liu Xianming said such cooperation took on more importance at a time when world economy is recovering at an uneven and unsteady pace, with most developing countries still in grave difficulties, experiencing a sustained stagnation and even a drop in per-capita income. He attributed this to the existing irrational international economic order which blocked the economic effort by developing countries. He said these countries fall a victim to protectionism practised by developed countries and to the subsequent worsening trade terms. He appealed to the international community, developed countries in particular, to take into account the stake of world economy and live up to their international commitments and obligations in combating protectionism and improving the conditions of developing countries.

The Chinese delegate stressed South-South cooperation as an vital component part of a new world economic order which will give impetus to North-South dialogue as well. South-South cooperation, though fruitful and is expanding in both scope and depth, still fell short of its set goals, he said. The Chinese Government sets great store by South-South cooperation, which is the corner-stone at its external policy, he said. He added that the common grounds that China shares with Asian, African and Latin American nations will serve as a basis for closer trade and technological cooperation among them, and it is China's desire to further this cooperation to bring about common development.

RENMIN RIBAO HAILS TRADE FAIR OPENING IN BEIJING

HK210446 Beijing RENMIN RIBAO in Chinese 16 Nov 85 p 1

[Commentator's article: "A Grand Trade Fair for Developing Trade and Promoting Friendship"]

[Text] The Asia-Pacific International Trade Fair has been solemnly opened at the China International Exhibition Center in Beijing. This is a grand trade fair that will promote trade and economic and technological exchanges between countries and regions in the Asia-Pacific region and between this region and other regions in the world, and is also a grand gathering that will promote unity and friendship. So it is of great political and economic significance.

Twenty-six countries and regions are participating in this trade fair, and most of them are members or quasi-members of the UN Economic and Social Commission for Asia and the Pacific and are developing countries and regions. The trade fair and the exhibition will certainly play a positive role in promoting trade, technological progress, and economic prosperity in the Asia-Pacific region. Some Asian and Pacific countries are making great efforts to develop their national economies on the basis of their original economic and technological foundations by making full use of their vast territories, rich resources, and huge markets. We have every reason to believe that various useful activities during the trade fair will positively promote the economic prosperity in the countries and regions participating in the fair. Some countries outside the Asia-Pacific region are also participating in the trade fair, and this provides a good opportunity for all participants inside or outside the Asia-Pacific region to conduct economic and technological exchanges and to learn from each other.

The trade fair is being held at a time when China will soon completely fulfill its Sixth 5-Year Plan and begin to carry out its Seventh 5-Year Plan. During the Seventh 5-Year Plan, along with our economic development, we will further strengthen trade and technological exchanges with other countries and will substantially increase our imports and exports. China is a developing country with a vast territory, rich resources, and a large population. So China should have a huge potential in import and export trade. We hope that the trade fair will achieve positive results in promoting trade, economic relations, and technological cooperation between our country and other countries.

Since the founding of New China, this is the first international trade fair held by our country. We are glad to see so many countries gather in Beijing to exchange their technological achievements and to build up their unity and friendship. We believe that this grand gathering will definitely be beneficial to the maintenance of peace and stability in the Asia-Pacific region and to the development of "South-South cooperation" and "North-South relations."

We wish complete success to the Asia-Pacific International Trade Fair!

KISSINGER ON JENKINS BILL IMPACT ON HONG KONG, PRC

HK210638 Beijing ZHONGGUO XINWEN SHE in Chinese 1512 GMT 20 Nov 85

["Kissinger Says That the United States Should Not Sacrifice Political Goals in Exchange for Economic Benefits" -- ZHONGGUO XINWEN SHE headline]

[Text] Hong Kong, 20 Nov (ZHONGGUO XINWEN SHE) -- Former U.S. Secretary of State Kissinger said here today: "The United States should not sacrifice political goals in exchange for economic benefits." Before meeting Everbright Group Chairman Wang Guangying, Kissinger answered reporters' questions on the impact of U.S. protectionist legislation on Hong Kong and China.

Kissinger said that Sino-U.S. relations have a firm foundation, and even though some differences exist between them, China has consistently pursued a foreign policy of independence and keeping the initiative in its own hands. The two countries have a relationship of common interests on the questions of peace, national security, and so on. The U.S. Government should carefully consider the Jenkins Bill and should not sacrifice political goals in exchange for economic benefits. As to what impact the bill will have on Hong Kong, he said he "hopes that Hong Kong will not become a victim of trade disputes between the United States and other countries." He believes that even if Congress passes the bill, President Reagan will veto it.

Kissinger, now 62, has been to China many times. When a ZHONGGUO XINWEN SHE reporter asked him for his impressions of his latest visit, he said that whenever he comes back to China after an interval of time he finds notable progress there.

Kissinger paid a courtesy call on Wang Guangying today. He stayed over an hour at the Everbright Company. He told reporters on leaving that since the conclusion of the Sino-British agreement on the future of Hong Kong, the city has regained its vitality. He is filled with confidence in it.

U.S. INACTIVE RESERVISTS TO REPORT ONCE A YEAR

OW210228 Beijing XINHUA in English 0145 GMT 21 Nov 85

[Text] Washington, November 20 (XINHUA) -- The U.S. Defense Department has decided to require inactive reservists to report for a day of active duty every year. Inactive reservists are personnel who hold ranks in the military but who have not been required to perform military duty.

It is reported that the decision, approved November 8 by Deputy Defense Secretary William Taft, is to take effect in fiscal 1987, which begins next October 1, the report quoted a U.S. Defense Department official as saying.

Assistant Defense Secretary for Reserve Affairs James Webb disclosed that the new directive is aimed at determining what percentage of the inactive reservists could respond to a general mobilization in time of war.

The one-day call-up program, which would cost about 61 million U.S. dollars a year, will affect men and women who have been assigned to what is known as the Individual Ready Reserve (IRR), Webb said, adding there are roughly 457,000 men and women in the IRR in the United States. Webb noted that members of the IRR who ignore their call-up orders will be subject to disciplinary action.

KYODO INTERVIEWS GU MU ON SINO-JAPANESE TRADE

XINHUA Report

OW200836 Beijing XINHUA in English 0829 GMT 20 Nov 85

[Text] Beijing, November 20 (XINHUA) -- Chinese State Councillor Gu Mu said here today that China and Japan should take positive measures to balance their bilateral trade. "The two countries should solve the problem by expanding trade and economic cooperation," he said.

Talking with a group of journalists from the KYODO NEWS SERVICE led by its Editor-in-Chief Kazumi Fukase, Gu Mu said Japan's advanced technology and its industrial products could find market in China if they were competitive in quality and price. "Meanwhile Japan can buy greater quantities of Chinese oil, coal, traditional industrial products and native produce," he said. The state councillor said China would increase varieties of its industrial products and upgrade their quality. "In this regard, help from Japan will be welcomed," he added.

Gu Mu said that a solution of the imbalanced trade problem is crucial to the long-term development of Sino-Japanese friendship and cooperation.

The Japanese journalists arrived here on November 16 as guests of XINHUA NEWS AGENCY.

KYODO on Interview

OW200937 Tokyo KYODO in English 0922 GMT 20 Nov 85

[Text] Beijing, Nov. 20 KYODO -- China is expected to show a deficit of at least 5 billion dollars in trade with Japan this year, more than three times last year's level, State Councillor Gu Mu said Wednesday.

Gu, in an interview with Kazumi Fukase, managing editor of KYODO NEWS SERVICE, said China's trade deficit with Japan already topped 4 billion dollars in the first three quarters of this year. The figure compares with a 1.26 billion dollar deficit for the whole of 1984. Gu said China is concerned about the growing red ink, because there is a solution in sight. It won't be such a big problem if the deficit is limited to one year or two, he said. China's bilateral trade with Japan turned in the red in 1984 after registering a surplus between 1981 and 1983.

Touching on the recent anti-Japanese student demonstrations in China, Gu said the Chinese Government was opposed to criticism voiced by the students that Japan has committed economic aggression in China. He said the anti-Japanese demonstrations were political in nature, alluding to Japan's official tribute to the war dead at a Shinto Shrine in Tokyo. He said the official visit made by Prime Minister Yasuhiro Nakasone at Yasukuni Shrine on August 15 injured the feelings of Chinese students, arguing that their frustration spilled over to China's economic times with Japan. He said the Chinese Government completely shares the students feelings but cannot agree with slogans put up by the students that Japan is guilty of economic aggression in China. Economic cooperation between the two countries merits a positive overall evaluation, Gu said. In an obliquely-worded criticism of Japan's official tribute at Yasukuni Shrine, Gu said it was important for China and Japan to avoid hurting each other's feelings.

Turning to specific bilateral trade matters, Gu was critical of what he described as Japan's lack of enthusiasm in recent negotiations for the import of China's petroleum and coal.

Even if Japan cannot increase import of petroleum and coal from China on a big scale, it should at least maintain the current import level, he said.

Japan currently is importing at an annual rate of 10 million tons of Chinese petroleum, 2 million tons more than the contracted volume. Japanese importers have suggested cutting petroleum imports closer to the contracted volume, and Gu said such a reduction would worsen China's trade deficit with Japan.

Gu also said China wants to sell more agricultural produce and traditional handicraft products to Japan, warning that if the trade issues with Japan are not resolved they could spill over to other economic fields. He said Japanese industries are too worried about technical transfers to China and urged them to become more open-minded.

GRAIN TRADE AGREEMENT SIGNED WITH JAPAN

OW151048 Beijing XINHUA in English 0739 GMT 15 Nov 85

[Text] Tokyo, November 15 (XINHUA) -- Japan and China signed an agreement here today to promote their grain and cotton trade and expand their cooperation in construction of ports in China. The agreement was signed by the Japan-China Association on Economy and Trade (JCAET) and a Chinese economic delegation.

The Chinese delegation, led by Zhao Weichen, vice-minister of the State Economic Commission, arrived in Japan on November 4 at the invitation of JCAET. During its visit, the Chinese delegation met Japanese Prime Minister Yasuhiro Nakasone and held talks with Minister of International Trade and Industry Keiji Murata, Minister of Transport Tokuo Yamashita, Minister of Construction Yoshiaki Kibe and JCAET's Senior Councillor Yoshihiro Inayama. The two sides discussed ways of promoting economic, trade and technical cooperation and solving the trade imbalance between the two countries.

NORTH, SOUTH KOREA END 5TH-ROUND ECONOMIC TALKS

OW201238 Beijing XINHUA in English 1223 GMT 20 Nov 85

[Text] Panmunjom, November 20 (XINHUA) -- The North and South sides of Korea ended a fifth round of economic talks at this truce village today.

After a two-hour meeting, the two sides agreed to include the three principles of independence, peaceful reunification and great national unity into a proposed agreement but remained to differ on other matters. However, they agreed to meet again here on January 22 next year after a careful study of their differences, which reportedly were on nine points. The two sides met to discuss the agreement leading to economic cooperation, exchange of commodities and the formation of a joint economic cooperation committee to be chaired by officials at vice-premier level.

Speaking at today's meeting, Vice-Minister of Foreign Trade Yi Song-nok, head of the North side delegation, reviewed the progress that has been made in the one-year old talks as a result of "the stance of mutual understanding and mutual accommodation" and the "patient efforts" on both sides. A lot of work had been done, bringing the new hopes to the eventual realization of economic exchanges and cooperation between the two sides, he added. He said that he was convinced that so long as the two sides work together to seek what are in common between them, they will narrow their differences and come to an agreement in the end.

REPORTAGE ON MALAYSIAN PRIME MINISTER'S VISIT

Zhao Ziyang Hosts Banquet

OW201634 Beijing XINHUA in English 1613 GMT 20 Nov 85

[Text] Beijing, November 20 (XINHUA) -- Chinese Premier Zhao Ziyang and Malaysian Prime Minister Mahathir bin Mohamed today shared their hope for further developing Sino-Malaysian relations.

Zhao said: "To strengthen and develop Sino-Malaysian friendly relations on the basis of the Five Principles of Peaceful Coexistence is in conformity with the fundamental interests of our two peoples, and reflects the sincere desire of the Chinese Government and people."

Mahathir said: "Malaysia is committed to seeking good relations with China, as with all countries, on the basis of the principles of peaceful coexistence." They made these remarks at a welcoming banquet hosted by Premier Zhao for Mahathir and his wife here this evening.

Zhao described the official visit to China by the prime minister and his wife as a major event in Sino-Malaysian relations. Zhao said the two sides are working hard to build up their respective countries while remaining committed to the preservation of peace in Southeast Asia and the world as a whole. He noted with pleasure the frequent exchanges of visits between leaders of the two countries, which have helped to deepen their mutual understanding and cooperation.

Accompanying the prime minister on the visit are also many leading figures from Malaysian industrial and business circles, demonstrating that the Malaysian Government and people attach importance to developing economic, trade and scientific-technological cooperation with China.

Zhao also praised the achievements of the Malaysian people, and the foreign policy of neutrality and non-alignment pursued by the Malaysian Government in international affairs. He also spoke highly of the valuable contributions made by the Malaysian Government and people in their positive support to the peoples of Democratic Kampuchea, Afghanistan, Palestine and South Africa in their just struggles to combat aggression and expansion, and safeguard their national rights. Malaysia has also taken a just stand, he noted, in strengthening South-South cooperation, promoting North-South dialogue, establishing a new international economic order and safeguarding the economic rights and interests of the Third World countries. China supports the proposal for establishing a zone of peace, freedom and neutrality in the Southeast Asian region, Zhao said.

Mahathir said, ever since his brief stopover in Beijing some six years ago, he had intended to return to China for a longer visit so that he could learn firsthand, more about China and its people. "I am delighted that I now have this opportunity to do so."

Speaking of the development of bilateral trade and economic relations, Mahathir said, Malaysian and Chinese companies are exploring new areas for mutual cooperation while both sides increasingly value their bilateral trade. He hoped his current visit would add stronger momentum to the process. He also expressed his hope that in the days ahead, the representatives of the large private sector of his delegation would have the opportunity to seriously explore every avenue for economic cooperation and establish ties and contacts for ongoing mutually beneficial economic activities.

"Unfortunately, the complicated regional situation, in particular the situation in Kampuchea, represents a serious distraction," he said. "Malaysia, which genuinely desires peace and stability, must renew its efforts to find solutions to these vexing regional political problems on the basis of adherence to the principles of respect for sovereignty, territorial integrity and non-interference in each other's internal affairs." He pointed out that "our objectives should be security and stability for all. However, at the same time, we should also make clear that they would not allow any country to hold the region's prosperity to ransom because of its own self-centered ambitions."

Also present at the banquet were Wu Xueqian, Chinese state councillor and minister of foreign affairs; Yu Hongen, coal industry minister; Qi Yuanjing, metallurgical industry minister' and the members of Mahathir's delegation.

Talk's With Zhao Ziyang

0211034 Beijing XINHUA in English 1030 GMT 21 Nov 85

[Text, Beijing, November 21 (XINHUA) -- Chinese Premier Zhao Ziyang and Malaysian Prime Minister Mahathir Mohamed urged that friendly and cooperative relations between the two countries be further enhanced, at official talks here today.

Mahathir said that Malaysia attaches importance to the development of friendly relations with China, and he hoped that his visit would build closer relations between the two countries. Zhao Ziyang said that there is still great room for the expansion of bilateral relations, and he hoped that both sides would continue to make efforts to promote mutual understanding and trust for the increasing growth of bilateral friendly and cooperative relations.

The two prime ministers also discussed the expansion of bilateral trade and economic cooperation in various forms. Both sides considered it important to further develop direct trade between the two countries, and to increase the trade volume. They also agreed that barter trade is an important way to increase trade between developing countries.

The Chinese premier briefed his Malaysian counterpart on China's economic development and open policy toward foreign countries. He was convinced of a bright future for bilateral economic and trade cooperation if China and Malaysia make common efforts based on equality, mutual benefit and mutual help to make up what each other lacks. The two leaders also exchanged views on international and regional situations of common concern. Mahathir thanked China for its support for the proposal to set up a peaceful, free and neutral Southeast Asia put forward by the Association of Southeast Asian Nations. He also expressed his pleasure over the common position of the two governments on the withdrawal of all foreign troops from Kampuchea. He criticized Vietnam's stand on the Kampuchean issue as hypocritical, adding that its claim of troop withdrawal from Kampuchea was only for propaganda. The international community should continue to press the Vietnamese to withdraw from Kampuchea and encourage the three resistance forces of Democratic Kampuchea to strengthen their unity and raise their morale to fight for final victory.

Zhao Ziyang briefed Mahathir on China's independent and peaceful foreign policy, as well as on its consistent position on the Kampuchean issue.

Satisfied with the help and cooperation between China and the ASEAN countries, Zhao stressed that in today's world relations between countries do not depend on their social systems, but whether they observe the Five Principles of Peaceful Coexistence. He said the Third World countries have the same interests in matters of peace and development, and these countries should promote their friendly cooperative relations by overcoming their differences in ideology and social system.

Both Zhao and Mahathir expressed their hope for a continuance of efforts for the safeguarding of the peace and stability of the area, and for the promotion of South-South cooperation. Their three-hour talks proceeded in an atmosphere of friendship.

Among those present on the occasion were Wu Xueqian, state councillor and foreign minister, and Yu Hongen, minister of the coal industry, as well as high-ranking officials accompanying the Malaysian prime minister.

XINHUA COMMENTS ON SRV 'PEACE, MILITARY OFFENSIVES'

HK211216 Beijing XINHUA Hong Kong Service in Chinese 0951 GMT 21 Nov 85

[Commentary by XINHUA reporter Tang Tianri: "The Double Offensive Launched by Vietnam" -- XINHUA headline]

[Text] Beijing, 21 Nov (XINHUA) -- Not long ago, with regard to the Cambodian issue, the Vietnamese authorities launched two offensives: On the one hand, they launched a peace offensive by reiterating their desire for a settlement of the Cambodian issue by means of dialogue and political talks. On the other hand, they launched a military offensive by stepping up their preparations for their eighth dry-season offensive.

Vietnam launches peace offensives basically by lying and confusing people. Since mid-August this year, when the Vietnamese authorities made known their so-called "new proposal" for the complete withdrawal of Vietnamese troops from Cambodia, the Vietnamese leaders and propaganda machine have been saying that "conditions are ripe for a political settlement of the Cambodian issue," suggesting that "all the parties concerned should sit down and talk." Hanoi has even repeatedly spread the news that the two blocs, namely Indochina and ASEAN, "have been discussing substantive issues" and "have made significant progress" in their dialogue.

Are the conditions ripe for a political settlement of the Cambodian issue? Everybody knows that the following conditions must be met before a political settlement of the Cambodian issue is possible: that the Vietnamese authorities should earnestly implement the relevant resolutions adopted by the UN General Assembly; that they withdraw all their troops from Cambodia, and that they end their aggression against and occupation of Cambodia. However, the truth is that the Vietnamese authorities have always vilified and have always been hostile to the resolutions adopted by the UN General Assembly and that they have always refused to withdraw all their troops from Cambodia. On 7 November, Vietnam's NHAN DAN published a commentary which criticizes the resolution adopted at the current UN General Assembly on 5 November by an "overwhelming majority" as "entirely erroneous" and "utterly invalid." Not long ago, some Vietnamese officials also vilified this resolution as "illegal and devoid of value." This shows that Vietnam has never desired a political settlement of the Cambodian issue. How can anyone say that "conditions are ripe?"

Regarding those lies spread by Vietnam that Indochina and ASEAN have already "attained important developments" in the political settlement of the Cambodian issue, the Thai Government has already made refutations on several occasions.

In early September, Thai Foreign Minister Sitti pointed out to the press that the aim of Vietnam's deceptive propaganda on this issue was only to divert people's attention on the eve of the convention of the UN General Assembly, and urged people not to be taken in. During the first ten days of October, Sitti also...[as published] the ASEAN countries once wrote a letter to the General Assembly, refuting Vietnamese Foreign Minister Nguyen Co Thach's statement that the dialogue between the ASEAN countries and the three sides in Indochina has made progress. On 6 November, the spokesman of the Thai Ministry of Foreign Affairs once again officially refuted this deceptive propaganda by Vietnam.

Behind these lies, it is clear that what the Vietnamese authorities really want to do is to settle the Cambodian issue by military means. Not long ago, the military personnel of Vietnam openly admitted that "only by actual strength on the battlefields can the issue be thoroughly settled." According to reports, in the last few months, Vietnam has continuously amassed troops in Cambodia, vigorously strengthening and deploying troops, and continuously shipping Soviet-made tanks, rockets, and all the other weapons and ammunition to their forward positions, in preparation for launching a new dry-season offensive against the resistance forces of Democratic Kampuchea.

According to the latest information from the frontline on the Thai-Cambodian border, starting on 10 November, the Vietnamese aggressor troops have already launched attacks on the camps of the troops of Democratic Kampuchea in some areas near the Thai-Cambodian border and fought a fierce battle with the troops of Democratic Kampuchea. Meanwhile, Vietnamese troops have also intruded into Thai territory. Thai troops were forced to launch a counterattack, and have repulsed the invasions of the Vietnamese troops. Thai military personnel hold that this was only the beginning of the eighth dry-season offensive launched by Vietnamese troops against the resistance forces of Democratic Kampuchea. According to an AFP news dispatch filed from Hanoi on 15 November, the Vietnamese officials have also implicitly admitted that Vietnamese troops have already started a new dry-season offensive in Cambodia.

These facts have proven that the Vietnamese authorities have launched a dual offensive of "peace" and "militancy," with "peace" being false and war being true. The lies of Vietnam about the political settlement of the Cambodian issue through "dialogue" and "negotiations" are only smoke screens to cover up its new military offensive in Cambodia.

AUSTRALIA'S ROBERT HAWKE ON RELATIONS WITH PRC

OW201534 Beijing XINHUA in English 1501 GMT 20 Nov 85

[Text] Canberra, November 20 (XINHUA) -- Prime Minister Robert Hawke said today that Australia and China have the firmest basis for developing bilateral relations.

Hawke made this remark when he received Zhao Weichen, vice-minister of China's State Economic Commission, who is here to attend the first meeting of the Sino-Australian joint coordinating group on transport.

The prime minister said: "Although the philosophies guiding our thinking are different to some extent, we share the same basic objectives, that is to live in a world of peace and strive for economic development so as to raise the living standard of our own people."

"If we can develop our relationship on the basis of mutual benefit," he remarked, "then the best results can be achieved in our cooperation." "In helping China, we are helping ourselves, and through mutual assistance we will be able to promote peace in this region," Hawke said. "If this is so, our efforts to strengthen cooperation will be well justified."

FIRST JOINT VENTURE SIGNED WITH NEW ZEALAND

OW210832 Beijing XINHUA in English 0817 GMT 21 Nov 85

[Text] Wellington, November 20 (XINHUA) -- A joint venture agreement between a Chinese textile firm and a New Zealand wool marketing cooperative was signed here today. This is the first New Zealand-based joint venture between the two countries. Under the terms of the landmark agreement, China's Three Rings Ltd. textile company will enter into a partnership to prepare raw wool in New Zealand for use in Beijing textile mills. The initial processing of the wool, known as "scouring", will be carried out by Three Rings and its partner, the New Zealand Cooperative Wool Marketing Association, in the southern New Zealand town of Washdyke.

The signing ceremony was attended by both Chinese Textiles Minister Wu Wenying and New Zealand Trade and Industry Minister David Caygill. The two ministers welcomed the agreement, which they said would strengthen the already close relationship between the two Pacific nations. By setting up the operation, Three Rings will secure a steady supply of wool for use in China, and New Zealand will benefit through the jobs created by the joint venture and through the increased value of the exported wool which would otherwise be shipped out of the country before scouring. An increase in Chinese textile sales to New Zealand is also anticipated.

The two ministers exchanged letters of cooperation on trade between the two nations in the fields of wool, textiles and technical services.

RENMIN RIBAO ON PROSPECTS FOR SINO-ASEAN TRADE

HK200411 Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 18 Nov 85 p 6

[Article by Wang Zhiguang: "Broad Prospects for China's Economic and Trade Cooperation With the ASEAN Countries"]

[Text] The ASEAN countries are our near neighbors, with traditionally friendly relations with China. Since the 1970's, the economic and trade relations between China and the ASEAN countries have been growing daily. In 1971, a trade delegation of the China Council for Promotion of International Trade made its first visit to Malaysia. In 1972, the Philippines and Thailand successively removed their embargoes on the import of Chinese goods. In 1974 and 1977, China successively established diplomatic relations with Malaysia, Thailand, and the Philippines, normalizing the trade relations between the two sides. In June 1977, China and the Philippines formed a joint trade committee. In autumn of the same year, Indonesia for the first time sent a delegation to participate in the Chinese Export Commodities Fair. In 1981, China and Singapore set up their respective commercial representative offices in each other's country. All these have laid a good foundation for the development of China's economic and trade cooperation with the ASEAN countries

In recent years, as China has carried out the economic reform and pursued the policy of opening up to the outside world, its economic and trade relations with the ASEAN countries have been further strengthened. A new situation of rapid development in economic and trade cooperation between China and the ASEAN countries has arisen.

The Singapore National Trade Development Bureau has already listed China as a target to be actively developed.

Since 1983, the cooperative projects directly investing in China and run by Singapore businessmen number over 30, involving total investment of over \$80 million. The investment projects include hotels, construction, the petrochemical industry, urban housing, electronics, labor management, and so on, spreading over 12 provinces and cities. Of these, over 20 projects have been completed and over 150 projects are being negotiated or have been agreed upon. Yang Bingxiao, president of Singapore's Overseas Chinese Bank, stated on 28 October that "bankers in Singapore wish to play an active role in constantly developing the economic market in China." The trade volume of the two countries in 1984 exceeded \$1.4 billion, and is expected to reach \$2 billion this year. Starting on 6 November, the departments concerned of China and Singapore opened up negotiations in Beijing with regard to an agreement between the two countries on protecting investment, on avoiding double taxation, and other issues. In June of this year, Dr Goh Keng Swee, former Singapore vice premier, accepted China's appointment as an adviser on China's coastal economic development.

Recently, Malaysia set up a special committee composed of senior officials in departments like the Foreign Ministry, Finance Ministry, and so on to study the issue of improving its relations with China. On 25 June of this year, Prime Minister Mahathir declared that the Malaysian Government will no longer restrict visits to China by people aged 30 or under so as to promote trade and economic relations between the two countries, and also to encourage all Malaysian companies to participate in direct trade with China. Currently, in addition to indirect trade between China and Malaysia, several agreements on joint ventures, contract construction and other aspects have been reached, including pooling funds to build the Beijing International Trade Center, contracting for construction projects in Xiamen worth about \$7.6 million, pooling funds to build power plants, commercial buildings, tourist centers, bridges, and so on.

On 23 July of this year, Indonesian President Suharto signed presidential instruction No 9 on developing direct trade with China. Afterwards, Chinese and Indonesian trade delegations exchanged visits to carry out talks and signed a letter of intent and trade contracts. So far direct trade between China and Indonesia, which was suspended for 18 years, has resumed. Since July, the direct contacts between Chinese and Indonesian businessmen have increased, and their trade relations have also developed remarkably. Since direct trade between China and Indonesia opened, the industrial and commercial circles in Indonesia have shown great interest in investing in China.

Economic and trade cooperation relations between China and Thailand have been developing steadily and satisfactorily. In 1980 the two countries began their economic cooperation with regard to joint ventures, cooperative production, export of labor services, and so on, and have so far signed over 20 letters of intent and agreements on cooperative projects. In 1984, the trade volume of the two countries reached \$330 million, an increase of 17 percent over 1983. On 12 March of this year, the Chinese and Thai Governments signed an agreement in Bangkok regarding the establishment of a joint economic committee for promotion and protection of investments. Thailand's Zhengda [2973 112] Group has already invested in Shenzhen, Shantou, Jilin, Liaoning, Shanghai, Beijing, and other places to establish enterprises. And units concerned in China have also undertaken the construction of the Gold Building, a tetracycline factory, and other projects in Thailand.

Economic and trade cooperation between China and the Philippines has also been constantly developing on a healthy basis. In January of this year, the two countries signed the trade protocol for 1985 specifying the commodities to be exchanged between the two countries this year.

In March, the governments of the two countries signed a protocol on scientific and technological cooperation in Manila, which stipulates that the two countries will carry out cooperation in agriculture, forestry, and other fields. In July this year, the Philippine industry and trade minister visited Beijing and explored with the Chinese departments concerned new ways to further develop the trade and cooperation between the two countries.

There are many favorable conditions for China to develop its economic and trade cooperation with the ASEAN countries. Both China and the ASEAN countries belong to the Third World and are working to build their own countries. At present, China is going all out to develop its economy and raise the people's standard of living, so it needs to strengthen its economic and trade cooperation with foreign countries. Due to the recession and the increases in trade protectionism in the West, the export trade of the ASEAN countries has been seriously affected, so they are paying more and more attention to developing their economic and trade cooperation with China. Therefore, on the basis of the principle of equality, mutual benefit, and mutual exchange of essential goods, China and the ASEAN countries can complement each other and strengthen their economic and trade cooperation. So the very broad prospects are looking up.

PRC TO PERMIT HONG KONG VISITS FROM MORE PROVINCES

HK200303 Beijing ZHONGGUO XINWEN SHE in Chinese 1436 GMT 18 Nov 85

[Text] Shenzhen, 18 Nov (ZHONGGUO XINWEN SHE) -- A ZHONGGUO XINWEN SHE reporter was told here that, with the approval of the State Council's Overseas Chinese Affairs Office, Hong Kong and Macao Affairs Office, and the Ministry of Public Security, beginning next March, the activities of visiting Hong Kong and meeting relatives there organized by the China Travel Service will be expanded to all provinces and municipalities in China. China Travel Service and the other departments concerned are now discussing with the Shenzhen authorities detailed arrangements for the expansion of Hong Kong tour activities.

China Travel Service began to organize the activities of visiting Hong Kong and meeting relatives there in July last year, and the tourist groups were organized only in Guangdong, Fujian, Jiangsu, Zhejiang, Beijing, and Shanghai. According to the new decision, these activities will gradually be expanded to all other provinces, autonomous regions, and municipalities except Xizang. People from all areas outside Guangdong will be allowed to stay in Hong Kong for 10 days instead of 8 days as before, and before entering Hong Kong, the tourists will be able to make a 1-day tour of Shenzhen.

It has been learned that since July last year, China Travel Service has organized more than 400 groups or some 16,000 people to visit Hong Kong and Macao, thus enabling them to meet their relatives living overseas or in Taiwan. The Hong Kong tour activities are very popular with people in the mainland. Many returned Overseas Chinese, relatives of Overseas Chinese, and relatives of Hong Kong and Macao compatriots have asked the authorities concerned in other provinces and autonomous regions to organize such activities.

FURTHER REPORTAGE ON HU QILI'S BELGRADE VISIT

PRC Envoy Hosts Banquet

OW200410 Beijing XINHUA in English 0240 GMT 20 Nov 85

[Text] Belgrade, November 19 (XINHUA) -- Chinese Ambassador Xie Li gave a return banquet here this evening on the occasion of the visit to Yugoslavia by a delegation of the Chinese Communist Party (CPC).

Attending the banquet were Hu Qili, head of the delegation and member of the Political Bureau and Secretariat of the CPC Central Committee, and Dimce Belovski, secretary of the Presidency of the Central Committee of the League of Communists of Yugoslavia (LCY), as well as the members of the Chinese delegation and other senior Yugoslav party and government officials. The CPC delegation arrived here on November 14 for a six-day visit at the invitation of the LCY.

During the past three days, the delegation toured the Bosnia and Hercegovina Republic for talks with local LCY leaders. The delegation also visited the "Energoinvest" company and the "Famos" motor company in Sarajevo, the capital of the republic.

Talks With Zarkovic

OW210216 Beijing XINHUA in English 0153 GMT 21 Nov 85

[Text] Belgrade, November 20 (XINHUA) -- Yugoslav leader Vidoje Zarkovic and visiting Chinese Communist Party Secretariat and Politburo member Hu Qili held talks here today on cooperation between the two parties and on major international problems.

Zarkovic, who heads the ruling League of Communists of Yugoslavia (LCY), briefed Hu Qili and the Chinese Communist Party delegation on the LCY's activities in Yugoslavia's socialist construction, the country's efforts to overcome economic difficulties, and preparations for the 13th LCY Congress next summer.

Hu stressed the Chinese Communist Party's determination to continue the policy of reform and build a modernized socialist country.

They also exchanged views on peace, disarmament and international economic relations.

Hu also talked with Yugoslav State Presidency Member Nikola Ljubicic today.

ROMANIA'S CEAUSESCU CONFERS MEDAL ON HU YAOBANG

OW202100 Beijing XINHUA in English 1659 GMT 20 Nov 85

[Text] Bucharest, November 20 (XINHUA) -- Romanian President Nicolae Ceausescu today issued a decree, conferring a first class medal of "Star of the Socialist Republic of Romania" on Hu Yaobang, general secretary of the Chinese Communist Party Central Committee.

The decision was made to commend Hu Yaobang upon his special contribution to the development of the friendly ties between the two countries and to the promotion of socialism, international peace and cooperation.

RENMIN RIBAO ON EDUCATION ON SITUATION, POLICIES

HK210143 Beijing RENMIN RIBAO in Chinese 19 Nov 85 p 1

[Commentator's article: "It Is Necessary To Regularly Conduct Education on Current Situation and Policies"]

[Text] After the National Conference of Party Delegates, leading comrades of all provinces, autonomous regions, and municipalities have gone to schools and factories to meet the masses, to talk about the current situation and policies, to answer questions raised by the masses, and to discuss with them the important issue of how to build the four modernizations. This has added an important content and form to political and ideological work under the new period and has been well received by the masses.

Education on the current situation and policies has always been an important content of the propaganda work and education conducted by our party, and a fine tradition in our party's ideological and political work. During the second civil revolutionary war, the anti-Japanese war, and the liberation war period, most of our cadres and soldiers were living in mountainous areas and were ill-informed. However, they were fairly well aware of the international situation, domestic affairs, and the party's policies. The reason for this was that there was regular education on the current situation and policies, and central and local leading comrades of our party often gave reports on the current situation and policies. In reading "Selected Works of Mao Zedong," one will find that many of the articles are reports made by Comrade Mao Zedong years ago on the current situation and policies. The education conducted by the party on the current situation and policies at that time cultivated a generation of communists who lived in mountainous areas but had the whole world in their minds. After entering the cities in 1949, many party member cadres doing general work often gave reports on the current situation and policies in institutes, schools, and factories. By talking with ease, fluency, and confidence, they won great praise from and the admiration of many people outside the party. This situation remains fresh in people's memory to this day. This system of regularly conducting education on the current situation and policies broadened people's vision, upgraded the political quality of cadres, and had a positive impact on party style and the general social mood. This has been recognized by all.

It is a pity that due to the influence of "leftist" guiding thinking, during a fairly long period of time, political movements appeared one after another, economic work stagnated, the current situation could not be explained clearly, and policies changed every minute. Practical analysis of current affairs was replaced by lies, empty talk, and big talk, and by "revolutionary criticism" during the "Cultural Revolution." The fine tradition of conducting education on the current situation and policies could not be continued. Those making reports were unwilling to make them and those listening to reports were unwilling to listen. Since the 3d Plenary Session of the 11th CPC Central Committee, the party's ideological line has been corrected and the work has developed rapidly in political, economic, domestic and foreign affairs, and the scientific, technological, and cultural fields. We are now facing a world that changes with each passing day, and we are carrying out a reform unprecedented in history. How to understand the world and what policies and measures to adopt in properly carrying out reform and promoting the four modernizations have become important problems that everyone is concerned about. Restoring the party's education on the current situation and policies and regularizing it has become an important content in strengthening ideological and political work under the new period.

Some comrades hold that we are not living in mountainous areas now, that there are many newspapers, and that radio and television broadcasts have now become very popular. As information spreads quickly and people are now well-informed, there is no need to conduct education on the current situation and policies. This is wrong. True, there are more and more newspapers and radio and television broadcasts, and information spreads more quickly. This has provided us with very favorable conditions for learning about current affairs and policies, a condition we could not conceive of in the past when we were living in mountainous areas. But real life also tells us that not everyone reads what is carried in newspapers nor hears what is reported in radio and television broadcasts. The rapid spreading of information does not mean that everyone knows what is going on. Furthermore, the information in newspapers and from other channels is, on the whole, fragmentary, and needs to be summarized and analyzed. Only thus can the information become systematic and complete, to provide people with a leap in the process of cognition. We are now experiencing an exploration and experiment in carrying out an overall reform of the economic structure, and different ideas will be reflected in our minds and should be given correct answers. We are living in an era of information and there are all kinds of information. The world is becoming smaller. It is necessary to strengthen the study of the development of various things and to spread the results of the study to cadres and masses in particular ways. This is precisely the new demand on education on the current situation and policies in the new period.

Most of our cadres are good, or relatively good, politically. But there are indeed a handful of cadres who have poor political quality. Some cadres only know their own professions and "do not know other things." They even know nothing about the political development in our party after the smashing of the "gang of four," let alone the world situation. What is worse is that some cadres only care about "making money," and have no higher targets. Some comrades' criticism concerning the downgrading of the political quality of our cadres merits our serious attention. Central leading comrades have time and again said that cadres should "pay attention to important matters, know the overall situation, and intervene in affairs in their own trades." The current situation and policies are important matters and concern the overall situation. Only by properly conducting education on the current situation and policies and by upgrading the quality of cadres will it be possible to properly carry out concrete work in all trades.

Education on the current situation and policies should be conducted mainly among party cadres, intellectuals, and young students. The upgrading of their political quality is of great importance to the future destiny of our country. There is now a new start for conducting education on the current situation and policies. By upholding the principle of seeking truth from facts and taking flexible and varied forms, we have achieved good results in this respect. It is hoped that the propaganda departments at all levels will seriously sum up experiences in this field, and promote them so as to restore the prestige of education on the current situation and policies.

RENMIN RIBAO ON WORKERS' CONGRESSES IN ENTERPRISES

HK180527 Beijing RENMIN RIBAO in Chinese 13 Nov 85 p 2

[Commentator's article: "Correct Leadership and Depending On the Masses"]

[Text] At present, more than 20,000 industrial enterprises have begun the trial implementation of the factory director responsibility system, and more enterprises have adopted the economic responsibility system and have gradually established an authoritative and centralized command system. Under these circumstances, how to strengthen democratic management in enterprises is on obvious question.

The experience of Changzhou City, which is carrying out the pilot project of implementing the factory director responsibility system, shows that workers' congresses can play an important role in strengthening democratic management in enterprises. In the past, workers' congresses in enterprises mainly discussed questions concerning the worker's welfare. At present, factory directors have to submit major decisions, reform measures, plans for restructuring the enterprise management organs, and assessment of cadres to workers' congresses for deliberation. According to an investigation by a relevant department of Changzhou City, 159 out of the 182 enterprises being investigated have submitted their plans for promoting workers and staff members to the workers' congresses for discussion, and 110 enterprises among them have submitted their programs for wage reforms to their workers' congresses. When hiring and promoting mid-level cadres, 153 enterprises have solicited opinions from the masses through their workers' congresses. These democratic management activities have helped factory directors correctly exercise their leadership.

We should have a clear viewpoint that the factory director responsibility system does not mean that factory directors may ride roughshod over ordinary workers and may be free from all supervision by the workers. The working class constitutes the master of our socialist country, and workers are also masters of their enterprises. No matter what type of management system an enterprise implements, it must ensure democratic management, which should be a fundamental system in enterprise management. Democratic management is an important characteristic of socialist enterprises. Factory directors are leaders of enterprises. They are responsible for directing production and the operations of their enterprises. At the same time, they are also public servants of the people, and their leadership should be regarded as a kind of service. In enterprises, factory directors should be conscious of showing respect for the master position of the working masses and in effectively guaranteeing workers' democratic rights in the enterprises. This is moral character that leaders of socialist enterprises should have.

The economic reforms give full scope to entrepreneurs for displaying their resourcefulness and abilities. There is an ever changing situation in the production and business of a modern enterprise and in the markets. Even if a factory director is an expert in his field, he alone cannot be perceptive enough to ensure the complete correctness and feasibility of all his decisions. He must be good at pooling the wisdom of the masses. After more decision-making power is given to enterprises, the business results of an enterprise will have a direct bearing on the vital interest of every worker in this enterprise. So the factory director should try to be a perfect representative of the collective wisdom.

Submitting all major decisions to workers' congresses for discussion and deliberation, so as to unify the will of all the workers, will not only arouse the workers' sense of responsibility, but will also promote the mutual trust, mutual respect, and mutual support between the enterprise leadership and ordinary workers. This will enable the factory director to mobilize all his men to smoothly carry out the correct decisions.

COMMERCE MINISTER LIU YI CRITICIZES LAZY WORKERS

OW191817 Beijing XINHUA in English 1437 GMT 19 Nov 85

[Text] Beijing, November 19 (XINHUA) -- Lazy and unhelpful workers in state-owned shops and other service trades face suspension if they do not mend their ways, Commerce Minister Liu Yi warned today. Speaking at a meeting here on commercial training, he called on China's 14,560,000 workers in the service trades to step up their efforts to serve the people.

Liu suggested that poor workers be laid off with only living allowances, in addition to the reduction or cancellation of bonuses as a punishment. Administrative departments and workers' congresses must agree to the form of punishment.

Liu said performance would not improve if diligent workers received no rewards, and lazy ones no punishment. He pointed out that with the rapid development of commodity production, the scope of service trades will be expanded and the customers will be more choosy, so a new service attitude is needed.

Last Sunday, 617 workers and 387 units were commended for their good work in Beijing. Vice-Premier Li Peng and member of the Secretariat of the Central Committee of the Chinese Communist Party Hao Jianxiu, attended the meeting. The Ministry of Commerce has also set up an institute to study how to boost the morale of the workers.

BO YIBO ADDRESSES FORUM ON INVESTMENT POLICY

OW210514 Beijing XINHUA Domestic Service in Chinese 1542 GMT 18 Nov 85

[By RENMIN RIBAO Reporter Lu Mu and XINHUA reporter Xu Yaozhong]

[Text] Beijing, 18 Nov (XINHUA) -- A national forum on investment policies sponsored by the State Council's Economic, Technological, and Social Development Research Center opened in Beijing today. Bo Yibo, vice chairman of the Advisory Commission of the CPC Central Committee, spoke at the forum. He stressed that it is necessary to have a complete set of correct policies for effectively controlling investment scale on fixed assets, guiding investment direction, and raising investment returns.

The forum on investment policies is being held in view of the continuous expansion in investment scale on fixed assets in our country over recent years, which has not been brought under control. The purpose of the forum is to analyze the present investment situation in China, determine causes of problems, propose policies for solving them, and explore ways for mapping out better investment policies.

In his speech, "Control Investment Scale, Increase Investment Returns," Bo Yibo pointed out: Controlling investment scale on fixed assets is crucial for consolidating and developing the current excellent economic situation. It is also an important step for ensuring the success of reforms and a major policy decision having a bearing on the overall situation in the Seventh 5-Year Plan. All major economic fluctuations since the founding of the country have been inseparable from overextended investment scale, which caused serious imbalances and tension in all fields of our economy in 1958, 1970, and 1978. The ups and downs in the national economy inflicted tens of billions of yuan in damages and grave aftereffects on the country. We must bear these bitter lessons in mind. However, it is necessary to point out that the current overextended investment scale, which is essentially different than that on the previous three occasions, has taken place in the course of advance during the economic structural reform and has been discovered in good time. We should not adopt the same method we did in the past but should take firm and steady steps within our economic capabilities to resolve this problem. The party Central Committee and the State Council have already decided to resolutely and prudently control and reduce investment scale on fixed assets so that our national economy can develop in a sustained, steady, and balanced manner.

Bo Yibo pointed out: In controlling investment scale on fixed assets, it is necessary to proceed from the reality in China and rely on mandatory plans and necessary administrative means. Although we should pay close attention to mandatory plans and administrative means, it would be difficult to rely solely on them to achieve successful results.

It is also necessary to use the objective law on "planned (proportionate)" economy and adopt a series of policies to help solve the problem. A policy on fixed asset investment alone will not work because it is a complex task involving all departments and localities. Therefore, it is necessary to adopt a complete set of correct policies in order to effectively control investment scale, guide investment direction, and increase investment returns. He hoped that, based on the experience in opening to the outside world, carrying out reforms, and enlivening the domestic economy, the forum will be able to formulate more scientific and practical policy measures for solving problems already identified.

Bo Yibo said: While reform calls for greater decision-making powers for enterprises and localities, including investment power, control demands appropriate centralization of funds. In resolving this contradiction, we should neither slacken supervision nor renew the rigid control over funds. To invigorate the economy, we have to appropriately increase the investment power of enterprises and localities. However, once they are given expanded decision-making powers, we cannot use simple administrative means to revoke the investment power because problems have cropped up. Naturally, we also have to adopt macroeconomic control measures, exercising macroeconomic control over microeconomic activities. The correct approach should be the combination of a set of macroeconomic management systems with microeconomic self-regulating mechanisms using various economic regulating means as well as legal and necessary administrative means to integrate decentralization in microeconomy with control in macroeconomy.

Bo Yibo expressed the hope that the forum will proceed from the overall interest of promoting and ensuring reforms in studying and formulating investment policies for facilitating the development of science, technology, and productive forces and the continuous increase of investment returns in our country.

Ma Hong, secretary general of the State Council's Economic, Technological, and Social Development Research Center, made a speech at the forum, "Step Up the Study on Investment Policies."

Some 140 scholars and experts from 25 provinces, municipalities, and autonomous regions, central departments concerned, research institutions, and institutes of higher learning are attending the forum.

DOMESTIC, FOREIGN BANKS AID SHENZHEN ZONE

OW200918 Beijing XINHUA in English 0645 GMT 20 Nov 85

[Text] Shenzhen, November 20 (XINHUA) -- Chinese and foreign banks are helping promote the development of the Shenzhen Special Economic Zone in Guangdong Province and improve conditions for foreign investors there.

The Royal Bank of Canada opened an office here Monday. Hal E. Wyatt, vice-chairman of the Bank's Board of Directors, expressed the hope at the inaugural ceremony that his bank would provide loans for Shenzhen's major industrial projects.

In all, 20 foreign banks have opened offices or branches in Shenzhen, one of China's four special economic zones where flexible policies are adopted to attract foreign investment.

With the geographical advantage of bordering Hong Kong, Shenzhen has grown from a fishing town into a bustling city since it became a special economic zone in 1980.

It now has 750 Sino-foreign joint ventures, cooperative businesses and enterprises with sole foreign investment, a local official said.

The zone has formed a complete banking network, which consists of specialized local banks, foreign banks and other financial organizations, he said.

The special economic zone central bank has been set up to coordinate and oversee business of all local banks.

The Shenzhen branches of China's specialized banks now extend loans for development purposes, including capital construction, transport, sales of apartments and public utilities.

Shenzhen spent 3.6 billion yuan on capital construction between 1980 and 1984, with bank loans accounting for one third of the total.

Local branches extended 900 million yuan in loans for investment in fixed assets in 1984. In addition, two billion yuan in loans as working capital -- 70 percent of the total for all Shenzhen's enterprises -- was also provided.

The Shenzhen branches of the Bank of China and the Industrial and Commercial Bank of China offer mortgage loans to Sino-foreign joint ventures, cooperative businesses and enterprises with exclusive foreign investment.

Local banks also invest directly in building factories, as well as tourist and service facilities, in addition to accepting private deposits in hard currency.

Shenzhen has opened a short-term money market to make effective use of funds, and launched an industrial development foundation, the official said.

Meanwhile, a number of financial regulations have been published. Among them are regulations concerning management of foreign banks and provisional methods for handling mortgage loans.

LIAOWANG EXAMINES REFORM OF PRICE SYSTEM

HK190129 Beijing LIAOWANG in Chinese No 43, 28 Oct 85 pp 18-21

[Article by Yuan Mu: "On Price Reform" -- capitalized passages published in boldface]

[Text] The price problem and price reform are matters of interest to everyone and problems much widely discussed at present. We must attach great importance to these problems. On this question, I would like to offer some humble opinions in this article for our comrades' reference.

I

We must first of all have a full understanding of the necessity, importance, and imperativeness of the reform of the price system. This is a prerequisite for observing things. In its "decision on reform of the economic structure," the CPC Central Committee clearly pointed out that the reform of the price system is the key to the reform of the entire economic structure with the focus on the urban economy. We must repeatedly study this inference and, through extensive and thorough propaganda and explanation, make the broad masses of cadres and people understand and accept this inference. Only thus can reform of the price system win general support from the masses and can all kinds of ideological obstructions be reduced or avoided in the course of the reform.

As a result of neglecting the law of value and other historical causes, OUR CURRENT PRICE SYSTEM IS VERY IRRATIONAL. THERE ARE FOUR MAIN PROBLEMS:

1. THERE IS NO PRICE DIFFERENCE BETWEEN PRODUCTS OF DIFFERING QUALITY. To make this easier to understand, this means that good products cannot be sold at good prices, but inferior products can substitute for good products and be sold at good prices.
2. THE PRICE DIFFERENCE BETWEEN DIFFERENT KINDS OF PRODUCTS IS NOT REASONABLE. This is mainly expressed by the relatively lower prices of some mineral products, raw materials, and energy products, and the relatively higher price of certain industrial and processed products. This is harmful to the development of basic industries and to overcoming the trend of blindly pursuing output and output value and one-sidedly pursuing growth rates in the processing industry. It is also harmful to the processing industry in the effort to increase economic returns and achieve technical progress. At present, as the entire industry, especially the processing industry, is developing at a rate higher than expected, the contradictions between demand and supply of energy resources and raw materials are being sharpened. There are many reasons for this situation, but a very important reason is that the prices and profits of the products of the processing industry are much higher than those of energy products and raw materials. The price difference between them is unreasonable.
3. THE STATE HAS PURCHASED FARM AND SIDELINE PRODUCTS AT PRICES HIGHER THAN THEIR SELLING PRICES. This has not only resulted in gradually adding financial burdens to the state year by year, but it is also harmful to agricultural restructuring, to promoting grain transformation, to commodity circulation, and to the further development of agricultural production.
4. CHARGES IN THE TERTIARY INDUSTRY ARE ON THE LOW SIDE. As a result, the vigor and vitality of some enterprises have been affected. They are unable to create profits and sometimes they lose, so their development is very slow, and some of them are even declining. Take housing for an example. For several decades, China has adopted a method of state monopoly of building and distributing houses for urban staff and workers and collecting very low rents. According to statistics, the state has to invest some 10 to 20 billion yuan a year in building houses for urban staff and workers, but receives about several hundred million yuan in rent each year. Thus, not only have the investment funds not been withdrawn, but also the accumulation funds of the state have been affected. The rent received is even less than one-fourth of the maintenance and management fees for the houses. As a result, the building industry, which originally should have become a pillar of the national economy, has lost the vigor and vitality for self-development. On the other hand, the housing problem in the cities has become more difficult to solve. Therefore, it is imperative to carry out a reform in this respect and make conscientious efforts to commercialize residential housing.

The above-mentioned irrational situation in the price system, which does not reflect value and the relations between supply and demand, has brought about very unfavorable consequences to the harmonious development of China's economy. DUE TO THE IRRATIONAL PRICE SYSTEM, IT IS VERY DIFFICULT TO GIVE A CORRECT APPRAISAL OF THE PRODUCTION AND MANAGEMENT OF THE ENTERPRISES. THUS, THE REFORM IN THE ENTERPRISES HAS ENCOUNTERED GREAT OBSTACLES. To invigorate the enterprises is the central link and starting point of the reform of the entire economic structure with the focus on the urban economic structure.

Due to the irrational price system, some enterprises, which are producing high-profit and high-priced products, can more easily achieve good economic results without making great efforts to improve production techniques and management, and the income and welfare to their staff and workers can also be increased. But those enterprises producing low-profit and low-priced products have to make great efforts to carry out technical innovations and improve operations and management so as to raise economic returns and reduce costs. Yet very little improvement has been achieved in the workers' livelihood.

As a result, many enterprises are unable to carry out competition under more or less similar conditions, and the principle of the inferior being eliminated by the superior cannot be really implemented. Moreover, as it has also brought about inequality in workers' lives, the initiative of some enterprises and workers has been dampened. We do not oppose inequality or differences in the workers' income in general, but this kind of inequality, which is a result of irrational external conditions, has dampened the initiative of quite a number of enterprises and workers. It is harmful to invigorating the enterprises and increasing their economic returns. It has also seriously obstructed their technical progress. For a long time in the past, the backward basic industries of our country, such as those concerning energy, communications, telecommunications, and raw materials, have been weak links in our national economy. However, some processing industries have swollen relatively too much, exceeding the demands of the current social development. Yet, their development is still beyond control. Thus, the contradictions between these industries and the basic industries have been sharpened. Of course, there are many reasons for this, but one of the most important reasons is the irrational price system, which cannot transmit correct information to guide social investment and to readjust the orientation of management of the enterprises, but just some wrong information. For this reason, there has been insufficient investment in the departments producing materials in short supply, resulting in the slow development of these departments though they are very important. On the contrary, the investment in some processing departments producing high-priced materials has become excessively bloated and the production of many materials in excessive supply has been blindly expanded, disregarding the fact that many of these products are unsalable. Thus, the harmonious development of the entire national economy and the increase of the economic returns of the whole society cannot but be seriously obstructed.

We must also realize that THE REFORMS OF THE PLANNING SYSTEM, THE LABOR AND WAGE SYSTEM, THE FINANCIAL SYSTEM, THE TAXATION SYSTEM, AND THE STATE FUNCTION IN ECONOMIC MANAGEMENT ARE ALL CLOSELY RELATED TO THE REFORM OF THE PRICE SYSTEM. If the price system is irrational, it will be very difficult to carry out other reforms. It may happen that great efforts have produced but very little effect, or even unexpected bad effects have been produced. Therefore, we must carry out sufficient propaganda on the "decision" of the CPC Central Committee, which emphasizes that the reform of the price system is the key to the reform of the entire economic structure, so that everyone can really understand it.

Through the efforts of past years, the economic situation has been stabilized, and economic returns have been gradually increased at a considerable speed. Is it not good to let things go on like this in a steady manner? Why should we readjust prices at this moment, which is a highly sensitive matter for the people? This simple and natural idea shows that some people are apprehensive of the floating of prices and that some are still unaware of the necessity of reform of the price system.

A KEY PROBLEM IN SOLVING THIS PROBLEM OF COGNITION IS HOW TO CORRECTLY UNDERSTAND THE ATTRIBUTE OF THE SOCIALIST ECONOMY AS A COMMODITY ECONOMY. In a rather long period in the past, in our theoretical understanding, we were not clear about the essential attribute of the socialist economy, which is still a commodity economy. That is why our traditional idea of setting the socialist planned economy against the commodity economy was shaped. Because of this, of the many disadvantages of our past economic system which we can list, the most basic characteristics are: state monopoly of too many things, overcentralization, and excessively rigid management. In planning and management, emphasis was placed on mandatory planning. To suit this, a series of rigid management systems and methods were adopted, such as unified allocation in material management, state monopoly for purchase and marketing in commerce, centralized placement and distribution in the labor system, and the state monopoly on revenues and expenditures in financial affairs. These management systems and methods are all harmful to the development of the commodity economy. "The decision of the CPC Central Committee on reform of the economic structure" has resolutely broken with the traditional idea of setting the planned economy against the commodity economy and clearly pointed out that the socialist economy is a planned commodity economy based on public ownership. The full development of the commodity economy is an impassable stage of socioeconomic development and an indispensable condition for realizing socialization of production and modernization of economy in our country.

In the historical stage of socialism, especially in a socialist country whose commodity economy was originally underdeveloped, without a highly developed commodity economy there will be no highly developed social productive forces, no modernization of the national economy, no consolidated and perfect socialist system, and no transition to the final stage of communism, the stage of the product economy envisaged by Marx and Engels. Since the full development of the commodity economy is an impassable stage, we must conscientiously apply the law of value in all our economic work, including planning, because this is a special law for the commodity economy. Of course, the socialist commodity economy is a planned commodity economy based on public ownership. It is entirely different in nature and purpose than the capitalist commodity economy, which is based on private ownership and is completely and blindly regulated by the market. Nevertheless, we must never forget that in the historical stage of socialism we must fully develop the commodity economy while conscientiously acting in accordance with the law of value.

IN ORDER TO CONSCIENTIOUSLY APPLY THE LAW OF VALUE, AS WAS POINTED OUT BY THE "DECISION" OF THE CPC CENTRAL COMMITTEE, WE MUST CORRECTLY GIVE PLAY TO THE ROLE OF PRICING, THE MOST IMPORTANT AND MOST SENSITIVE MEANS OF ECONOMIC REGULATION IN OUR ECONOMIC LIFE, SO THAT PRICING CAN MORE SENSITIVELY REFLECT THE CHANGES OF THE SOCIAL LABOR PRODUCTIVITY AND THE RELATIONS BETWEEN SUPPLY AND DEMAND IN THE MARKET, AND SO THAT IT CAN SATISFY THE NEEDS OF THE OVERALL DEVELOPMENT OF THE NATIONAL ECONOMY. WE MUST NEVER REQUIRE THAT PRICES BE FIXED FOR A LONG TIME WITHOUT CHANGE. In short, we can only make a choice between the two: either to conscientiously apply the law of value so that it can serve the development of the socialist commodity economy in a planned way, or to go against the law of value, consciously or unconsciously, and obstruct and fetter the development of the socialist commodity economy. This is an objective law independent of man's will.

III

In order to smoothly push forward the price reform, we must also give a full appraisal of the psychology of the masses of people on the question of pricing. Only when we carry out deepgoing propaganda and explanation can we help the people change some traditional ideas on this question and eliminate their fears about changing prices.

Before liberation, that is, in the old society, especially on the eve of the collapse of the KMT rule, as a result of galloping inflation and depreciation of money, prices soared by astronomical figures and this continued into the period immediately after liberation. This has remained fresh in old people's memories. When they talk about the advantages of the new society, they often emphasize the stable prices in our country. Of course they do not want what happened in the past to happen again. Since liberation, China's prices have been relatively stable. This has enjoyed the support of the people. In the past more than 30 years, although many twists and turns and all kinds of problems have emerged in our economic life, and sometimes they were very serious, our prices remained basically stable for a very long time. When we talked about the good situation, we also stressed the stable prices, saying that "our prices are stable and our markets brisk." In fact, our markets were not always brisk although the prices were stable. Thus, a deep-rooted traditional idea was gradually shaped among the people, that is, stable prices means prices are completely or basically frozen. If there is even a slight fluctuation in prices, they will think that the situation is not so good. As a matter of fact, price is a reflection of value, and value is determined by the social necessary labor, which changes along with the changes of many factors such as the degree of socialization of production, science and technological development, labor productivity, and relations between supply and demand. It is impossible to require that prices be frozen and kept at a certain level for a long time, because it does not conform to the economic law. But this idea, which interprets basically stable prices as frozen or basically frozen prices and which has been shaped for a long period of time, cannot be eliminated immediately. When talking about price reform in his "government work report" delivered at the Third Session of the Sixth NPC, Comrade Ziyang emphasized that, when carrying out reform in this respect, we must take into consideration what the financial resources of our state can bear, what our enterprises can bear, and what the masses of people can bear. What the masses can bear does not only refer to the influence on the people's material benefits in their real life, but also, and chiefly, refers to the people's psychological status and factors, that is, the fluctuations in their minds. Judging from this year's situation of reforming the system of state monopoly for purchasing agricultural and sideline products, gradually adopting the system of contract purchase and market purchase, and gradually relaxing the prices of meat, fowl, eggs, vegetables, and aquatic products in many cities, I feel that it is really very important to help the masses gain a full understanding of the imperativeness of the reform through propaganda and explanation and to make the policies, principles, and measures of reform clear to them so that they can understand them better and to dispel their misgivings.

In this connection, we may also make a review of our practice in price reform since the 3d Plenary Session of the 11th CPC Central Committee. Although a series of systematic expositions on carrying out reform of the price system were only made after the decision of the 3d Plenary Session of the 12th CPC Central Committee was made, much work had been done since the 3d Plenary Session of the 11th CPC Central Committee. Over the past few years, we have mainly done the following work: 1) The purchase prices of some major agricultural and sideline products such as grain, cotton, and oil crops have been considerably raised; 2) the retail prices of eight major nonstaple foods, including meat, fowl, eggs, and aquatic products, have been appropriately raised and, at the same time, nonstaple food subsidies have been granted to staff and workers; 3) the prices of coal, pig iron, and other products have been raised, while those of some mechano-electrical products have been reduced; 4) the prices of cigarettes, wine, and leather products have been raised, while those of television sets, radios, and watches have been reduced; 5) the prices of synthetic fabrics have been appropriately reduced, while those of cotton fabrics have been raised; and 6) railway and water transportation fees have been readjusted. All this shows that since 1979, commodity prices have been considerably readjusted.

In the meantime, an initial reform has been carried out in the price control system, making it gradually change from the original unitary form of planned pricing, to diverse forms of pricing, including unified state prices, floating prices, negotiated prices, and fair market prices.

Judging from the results of our practice in the past few years, the price reform is a success in general. FIRST OF ALL, IT HAS PLAYED A VERY IMPORTANT ROLE IN STIMULATING THE DEVELOPMENT OF AGRICULTURAL PRODUCTION. This is obvious. A decisive factor in the great changes in the rural areas in the past few years has undoubtedly been the reform of the rural economic structure. Meanwhile, since the 3d Plenary Session of the 11th CPC Central Committee, the state has considerably raised the purchase prices of agricultural and sideline products, thus initially changing the previous situation characterized by excessively low state purchase prices. This has greatly benefited the peasants and played a very great role in arousing their initiative and stimulating the development of agricultural production. We must not fail to see this. SECOND, IT HAS PLAYED A USEFUL AND STIMULATIVE ROLE IN THE RATIONAL ADJUSTMENT OF THE INDUSTRIAL PRODUCTION SETUP. By readjusting the prices of coal and other products, the price ratios between some products of the raw materials industry and those of the processing industry have improved to some extent, and the irrational price situation has been relieved to some degree. After an initial price adjustment, fairly good results have also been attained in textiles and other industries. Following a price reduction, the situation marked by the unmarketability and overstocking of chemical fiber cloth has changed rapidly, thus stimulating the development of the textiles industry and improving the quality and structure of people's clothing. THIRD, THE PRICE READJUSTMENT IN THE PAST FEW YEARS HAS ALSO PLAYED A REMARKABLE STIMULATIVE ROLE IN ENLIVENING PRODUCTION AND CIRCULATION.

For a long time past, China's commodity prices were basically under the state's unified control. Over the past few years, diverse forms of pricing have been gradually adopted and the power of price controls has been transferred to the lower levels in a proper way. This has vigorously promoted the progress of enlivening the enterprises and dredging the circulation channels, and is conducive to enlivening the entire national economy. SINCE THE BEGINNING OF THIS YEAR, ON THE BASIS OF OUR INITIAL ACHIEVEMENTS AND EXPERIENCES OBTAINED IN PRICE REFORM OVER THE PAST YEARS, CHINA HAS TAKEN BIGGER STEPS THAN BEFORE ON THE PATH OF SYSTEMATICALLY CARRYING OUT PRICE REFORM. So far, the general trend is good and stable and there have been no serious mishaps. Of course, we must not draw a conclusion too early and cannot completely rule out the possibility of various problems emerging. We shall probably have to wait until the end of this year or the beginning of next year before we can make a realistic and comprehensive appraisal of the results of the reforms we are carrying out this year, including the price reform. However, there is one thing we can predict, that is, if there are no serious mishaps in this year's price reform, we can see more clearly what path China should take in the reform of the price system under the socialist conditions to suit China's concrete situation. This is undoubtedly a very important matter for further readjusting China's economic relations in various fields and realizing a benign cycle in the national economy.

The price reform must be carried out, but the people's livelihood must not be greatly affected in the course of reform and must be improved to some extent along with the steady development of production. This is a question most cared about by the broad masses of people, because it concerns their immediate interests. The initial price reform over the past few years has stimulated economic development.

At the same time, the price hike margin is also a little bit higher than in the past. We must also be realistic toward this problem. HOWEVER, ON THE WHOLE, THE EXTENT OF IMPROVEMENT IN THE PEOPLE'S LIVING STANDARDS IS STILL GREATER THAN THAT OF THE PRICE HIKES, SO THE ACTUAL LIFE OF THE PEOPLE HAS BEEN MARKEDLY IMPROVED. We should neither doubt nor negate this basic fact. Nor should we notice only this basic fact to the neglect of another fact, that under the general situation that most people's living standards have improved, the living standards of a considerable number of people have not improved or have even dropped to some extent.

First, let us look at the countryside. In our country, of 1 billion people, 800 million live in the countryside. The peasants form the great majority. When the countryside is stable, the whole country will be stable. When the peasants are happy, the whole country will be at peace. This is the general situation. While readjusting prices over the past few years, the purchase prices for agricultural and sideline products have been raised to a greater extent, thus stimulating the development of agricultural production. The peasants have benefited from this, and the extent of improvement in rural living standard is greater than in the cities. We can say that there are hardly any complaints now among the great majority of people in the countryside. Of course, there are still tens of thousands of people in the countryside who still lead a hard life and their problems of food and clothing remain unsolved. This should be gradually solved in our further efforts to rejuvenate the rural economy. Since the rural population constitutes 80 percent of China's total population, their response to the policies of our party and government is certainly an important basis for weighing the gains and losses and successes and failures of all these policies.

Then let us look at the cities. In the cities, the staff and workers of factories and enterprises and their family members constitute the great majority of urban residents. Over the past few years, through several readjustments, the wages of the great majority of staff and workers have increased, especially their bonus incomes. In addition, many of their family members have obtained employment. Thus, their actual incomes have considerably increased. We should also see that a few staff and workers have seen their actual lives become more difficult because their wages and bonus incomes have increased just a little or none of their family members has obtained employment. Therefore, they respond more strongly to price increases. Generally speaking, the staff and workers hope that the prices will remain stable or basically stable, but their wages and bonuses will continually increase. This is understandable. However, the people's living standards have improved on the basis of gradually enlivening the enterprises and the economy and stimulating the growth of production over the past few years, including rationally readjusting prices and using the economic lever. Without this important factor, production could not have been promoted and the people's living standards could not have improved. It is difficult to simultaneously make the prices stable and increase wages and bonuses considerably. Apart from enterprise staff and workers and their family members, urban residents mainly include working personnel of party and government organs and those working in the science and technological, cultural and educational, and public health departments, as well as their family members. Some of them have had several wage increases since the 3d Plenary Session of the 11th CPC Central Committee. They also receive fixed bonuses, and their family members have newly obtained employment. Some even receive income from part-time jobs, such as giving lectures, writing articles and books, and providing technical services. They are among those people who are leading a most happy life, but they may only be the minority. Some other people are also getting on quite well since their wages have been increased once or twice over the past few years during the wage readjustment and some of their family members have newly obtained jobs, although they do not have other sources of income other than the fixed bonuses.

However, in the party and government organs and institutions, especially among the young and middle-aged intellectuals and cadres, there are actually quite a few people who are leading a relatively hard life because their wages and bonuses have not been considerably increased and their family members have not obtained jobs to soothe their heavy family burdens. Therefore, they feel greater pressures from the increase of prices. The actual living standards of these people have improved very little, or have even dropped over the past years. The party and government also understand this. Comrade Ziyang said: "The government and departments concerned must care for their difficulties and effectively help them solve practical problems so that the living standards of these staff and workers can be gradually improved along with the economic development of our country and the growth of our financial strength." We believe that by implementing this policy and through our common efforts, these problems can finally be solved.

What needs to be emphasized here is that, since the beginning of this year, there has been a trend of faster price hikes than in the past few years. The emergence of this situation certainly has something to do with the structural price readjustment we have carried out on our own initiative. But this is not the chief factor. The chief factors are: Since the fourth quarter of last year, there has been a drastic increase in the scope of extra-budget investments in fixed assets, credit funds, consumption funds, and currency supplies; general social demand has exceeded general social supply; and there has been excessive distribution of national income. FOR THIS REASON, IN OUR CURRENT ECONOMIC WORK, WE SHOULD RESOLUTELY CARRY OUT THE MEASURES ADOPTED BY THE CPC CENTRAL COMMITTEE AND THE STATE COUNCIL CONCERNING THIS PROBLEM AND STRIVE TO STRENGTHEN MACRO-ECONOMIC CONTROL, READJUSTMENT, AND MANAGEMENT IN ORDER TO KEEP THE PRICE HIKES WITHIN A CERTAIN LIMIT. THIS IS A VERY ARDUOUS TASK AND WE SHOULD EXERT OURSELVES TO FULFILL IT.

WAN LI INSPECTS SHANXI COAL MINE RAIL LINES

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[By RENMIN TIEDAO BAO reporter Jing Yuxiang]

[Text] Beijing, 17 Nov (XINHUA) -- Vice Premier of the State Council Wan Li inspected the southern corridor for transporting coal from Shanxi to other localities from 5 to 11 November in the company of the Minister of Railways Ding Guangen and others. Starting from Xinxiang, Wan Li's 5-day inspection tour of areas along the Xinxiang-Heze, Heze-Yanzhou, and Yanzhou-Shijiusuo lines covered over 600 km. Wan Li inspected the Xinxiang South Classification Station, Changdong Huang He Bridge, Shijiusuo Station and port, and buildings and freight yards at a number of stations in between. He also walked 800 meters across Huang He Bridge, which was completed just over a month ago, and visited the site construction office to extend greetings to the construction workers. During the inspection, Wan Li gave important briefings on the work of the railways.

It Is Necessary To Make Better Use of the Xinxiang-Heze and Yanzhou-Shijiusuo Railways

Wan Li said: The speed and fine quality of railway construction deserves commendation. After the start on construction of the Yanzhou-Shijiusuo line in 1981, the State Council, based on the distribution of coal resources, decided to build the railway from Xinxiang to Heze, rebuild the Heze-Yanzhou line, and combine it with the Yanzhou-Shijiusuo line. It seems that the decision was correct.

Without the Xinxiang-Heze line, the Yanzhou-Shijiusuo line and Shijiusuo port would be useless. The completion of the railway has added an important lifeline and coastal port to develop the economy of Henan and Shanxi. In future, some of the export and import goods from Shandong, Shanxi, Henan, Shaanxi, Gansu, and Xinjiang may be diverted to Shijiusuo port in order to ease the strain on Qingdao and Lianyungang ports, and the Longhai and Tianjin-Pukou railways.

Making the best use of these two railways and the port is imperative. It is first necessary to calculate the coal output in the Taihang Shan area in southeastern Shanghai, as well as the amount of coal to be transported to other localities, and to decide whether this corridor is capable of transporting between 12 and 13 million metric tons of coal to other localities. Wan Li called for efforts to organize survey teams to investigate output and reserves of all coal mines in the Taihang Shan area. At the same time, he urged that Shijiusuo port be equipped with facilities to handle not only coal but also sundry goods, as well as containers.

It Is Necessary To Sum Up Experience in Carrying Out Major Reforms in Railway Construction

Wan Li said: It is necessary to conscientiously sum up experiences in railway capital construction since the founding of the country, preserving the good and correcting the bad. Major reforms must be carried out, from design to construction of railways, so that the cost can be lowered and efficiency increased. With the changes in equipment and economic conditions, guidelines in design should also be changed. It is necessary to break away from old conventions and proceed from reality, refraining from following a certain formula or standard. In building railways, we should study natural geography (especially geological geography), as well as economic and human geography, and consider railway construction as a systems engineering project. Criticizing the Yanzhou-Shijiusuo Railway for having too many stations and freight yards, Wan Li said: There are too many, 38, stations on the 308-km Yanzhou-Shijiusuo Railway. An extra station costs additional capital construction investment and operational expenditures, and takes away up to 100 mu of land. With several hundred jin per-mu yield of grain annually, how much grain would we lose in 10 years or decades? By reducing the number of stations and using motor vehicles for short-distance transport, we shall be able to promote the development of highway transport and economic exchange. Leading comrades from Shandong Province agreed with Wan Li's opinion. He added: In setting up stations from now on, it is necessary to base them on plans for regional economic development. Passenger and freight stations should be set up in towns that may become local economic centers. In planning railways, attention should be paid to conserving land.

It Is Necessary To Concentrate Efforts and Go All Out in Railway Construction

Wen Li said: We must concentrate efforts on, and not procrastinate over, railway capital construction. We must gather all needed funds, material, and manpower, and go all out to complete construction without letup. Greater social effects and economic efficiency can be achieved by an early opening for the traffic and transport of goods. While guaranteeing quality, it is necessary to speed up construction in order to open the railway for traffic and make effective use of the investment as quickly as possible. Wan Li said: It is necessary to concentrate on completion and reopening to traffic of the Hengyang-Guanzhou section, a bottleneck on the north-south truck line. It must be completed as quickly as possible within the time limit. Awards should be given for completion ahead of schedule.

The Localities and Railways Should Cooperate Closely and Support Each Other

Wan Li said: The localities are both servants and masters of the railways. Railway construction relies on the localities, so they should serve local economic development. Railway transportation should first take macroeconomic development into consideration and also pay attention to the transportation of local goods and materials. We should satisfy the local demand for railway construction if it is in accord with overall interests. If construction runs counter to overall interests, we should properly explain the situation to the localities.

Wan Li said: In correlation with the development of agricultural mechanization, there are more and more motor vehicles and tractors in the rural areas. Railways and highways interfere with each other, causing a waste of time. In places with numerous motor vehicles and tractors, it is necessary to build overpasses. The state must spend money for this purpose in order to meet the need of modernization. It is necessary to consult with the localities and unify planning. In building overpasses, the railway departments should do the ground work, while the localities will be responsible for building the road. Highways going through railroad crossings should also be built by the localities. He also said: In order to increase speed and avoid accidents, necessary overpasses should also be built over old railway lines, such as the Nanjing-Guangzhou and Tianjin-Pukou railways. The railway departments should promptly cooperate with the localities in the construction work. You should take the initiative, because it is a way to serve the masses and also an important way to raise efficiency in railway transportation.

In light of losses of railway equipment in some places, Wan Li said: The localities and railway departments should jointly give education on loving and protecting railway lines, and let the masses know that railways not only belong to the Ministry of Railways, but also to the people themselves. We should teach primary school students this. We should promptly investigate, and strictly punish, those who steal railway equipment. Serious offenders should be punished in accordance with the law. We should set this rule and have people form the habit of consciously loving and protecting railways. People should abide by this social morality. He called on all to learn from Zouxian County in their experience of protecting railway lines.

Railway Departments Should Take the Whole Situation Into Consideration and Always Work for the Interests of the People

Following his inspection, Wan Li and leading comrades of the Ministry of Railways who accompanied him on the inspection trip held a meeting on board the train returning to Beijing to sum up the inspection. Wan Li emphatically pointed out: Railways are to service the overall situation, and the people's railways should service the people. Railway departments should always think about the people and do everything to serve them. We should do our best to educate cadres, staff members, and workers of all railway departments to consider the improvement of service quality and the interests of the state and people as their goal. We should raise railway personnel quality. We should set requirements. Those who can meet the requirements should continue to work. Those who cannot meet the requirements should leave their posts and receive training, be reappointed if they can meet the requirements after training, and be transferred to other work if they still cannot meet them. We must not take this matter lightly. Railways are the main artery of communications, and must not have a single problem

Wan Li pointed out: The party Central Committee and the State Council have always attached great importance to railway work. Since the founding of our country, Premier Zhou and Comrade Xiaoping had personally grasped railway work.

Railways are also the main artery of the national economy. Railway transportation is becoming more and more important as we promote economic construction, open to the outside world, and invigorate the domestic economy.

Wan Li said warmly: The 3 million staff members and workers of the railway departments are a good working force. I have an intimate feeling for railway departments. In order to do a good job in leading this force, we must set a high standard, strict demand, and iron discipline, and never slacken our efforts. We must do a good job in consolidating the leading organ of the ministry, and truly turn it into a command with high efficiency, knowledge, and capability of a quasi-military nature. He also called on all staff members and workers of railway departments to take the lead in fundamentally improving the party's conduct and social customs.

Some responsible comrades from Henan and Shandong Provinces accompanied Wan Li in the inspection.

RENMIN RIBAO SEES POSITIVE ASPECTS IN RELIGION

HK201006 Beijing RENMIN RIBAO in Chinese 7 Nov 85 p 5

["Press Digest" column: "We Should Have a More Scientific and Comprehensive Understanding of Religion" -- originally published in QUNYAN [VOICE OF THE MASSES] magazine]

[Text] In his article "Religion, Spiritual Civilization, and National Unity," Comrade Zhao Fusan points out: Religion is a major, inseparable part of the history and culture of various nationalities. The historical development of literature, poetry, art, music, and way of life in general of various nationalities are influenced by religion in varying degrees.

He states: In a class society, religion is truly regarded by the exploiting class as a political tool. However, this is only a part of the overall social role of religion. When the proletariat and the revolutionary people are carrying out revolution in order to overthrow reactionary rule, it is understandable that they will emphasize how religion is used by the exploiting class, and that it is an opiate that poisons the people. However, to regard religion simply as an opiate obviously does not help us get a complete understanding of religion. Therefore, it is difficult for us to believe that this is a satisfactory or scientific explanation of religion. When appraising an individual, we maintain that we should consider his life and work as a whole. Only such an understanding can be regarded as scientific. We should do so with regard to an individual. As for religion, an historically long and complicated social phenomenon which involves several billion people in the world and keeps on changing and developing, our predecessors used a simple and descriptive term to explain it within a certain historical background. However, it would be wrong for younger generations to stand still and refuse to make progress, to regard the description as an irrefutable truth left over by great thinkers of the past. If we refuse to admit that all things change with the changing of time, places, and conditions, and if we fail to ensure a scientific development of our understanding, it is difficult to say that what we are doing conforms with the stand, viewpoint, and method of dialectical materialism and historical materialism. It is true that religion, as a world outlook, belongs to idealism. However, religion is related to and different than philosophy. Religion is not equal to philosophy. Even dialectical philosophy has its proper role in ideological history. We should admit that it has played a role in promoting the development of philosophy.

It is unscientific and harmful to say that religion is a "fantasy or an illusory and distorted reflection of people's subjective consciousness" that it is a "political tool of the reactionary class," and that it is an "opiate."

This is detrimental to our efforts to respect historical and cultural thoughts and feelings of various fraternal nationalities at home. Therefore, it is harmful to our national unity. Today, we are implementing a policy of opening to the outside world. It is necessary for us to understand the history and culture of various countries in the world. In the past, because we negated and oversimplified religion, when we studied the history, culture, and society of foreign countries we very often neglect religion. Culturally, people might say that we are ignorant. Politically, people might say that we do not know how to respect the history, culture, and thinking of other countries. Therefore, foreigners might despise, or even feel a repugnance toward us.

Comrade Zhao Fushan holds that we should attach importance to religion and regard it as a part of history and culture. In a class society, religion is used by the exploiting class as a tool for ruling the people and lulling the revolutionary will of the working people. This is the negative aspect of religion. In a socialist society, after the elimination of class, this negative aspect of religion has been greatly weakened. We should regard religion as a part of the history and culture of various nationalities. Doing so will be beneficial to our stability and unity, the four modernizations program, and our development of peaceful and friendly relations with people at various countries. This will create a favorable international environment for carrying out the four modernizations in our country.

PRC DEVELOPS CONTROLLED NUCLEAR FUSION DEVICE

OW210419 Beijing XINHUA Domestic Service in Chinese 0902 GMT 20 Nov 85

[By reporter Yang Li]

[Text] Chengdu, 20 Nov (XINHUA) -- "China Circulator No 1" [Zhong guo huan liu qi yi hao 0022 0948 3883 3177 0892 0001 5714], China's largest controlled nuclear fusion experimental device, has undergone a year's engineering adjustment and physical tests and has yielded the first important experimental results since it successfully went into operation last September. Recently, it passed a technical appraisal test conducted by the state at the Southwest Physics Institute of the Ministry of Nuclear Industry in the suburbs of Leshan City, Sichuan Province.

After a year's operational testing, the device has been able to discharge a 135,000-ampere balanced and stable electric current with a 0.2-second flat-wave time in a 23,000-gauss magnetic field. In particular, the holdup time of the plasmas generated by the device has reached 1 second, well beyond its designed requirement. Such a hold-up time is not only the longest in China, but is also rare in foreign experimental devices of the same size. It has provided very unusual plasma conditions for China's controlled nuclear fusion research.

Some experts say: The results show that the design of "China Circulator No 1" is advanced and its quality fine. The results also show that, with this sizable device, China's controlled nuclear fusion research has entered a new stage. China has become one of the countries engaged in controlled nuclear fusion research with medium-sized or bigger devices. The achievement is an important Chinese step in modern science and technology during the Sixth 5-Year Plan period.

Controlled nuclear fusion is an important subject in today's science and technology. It deals with the release of tremendous energy in the course of fusing atomic nuclei of such light elements as deuterium and tritium under extremely high temperatures. According to scientific information, each liter of seawater contains 3 milligrams of deuterium, which, in the process of nuclear fusion, can release as much energy as 300 liters of gasoline.

Therefore, when experimental, controlled nuclear fusion becomes easily applicable, the vast ocean will be turned into an inexhaustible energy reservoir for mankind. "China Circular No 1" is exactly the experimental devices for such research.

LI XIANNIAN SPEAKS TO LOCAL LEADERS IN HUBEI

OW180256 Beijing XINHUA Domestic Service in Chinese 1519 GMT 17 Nov 85

[By reporter Li Yongchang]

[Text] Wuhan, 17 Nov (XINHUA) -- In a recent speech in Hubei, Li Xiannian, member of the Standing Committee of the Political Bureau of the CPC Central Committee and president of the People's Republic of China, stressed that the most important tasks at present are to earnestly study and implement the guidelines set forth by the National Conference of Party Delegates, to consolidate and develop the gratifying situation, to strive to achieve the tasks put forward by the 12th party congress, and to build a socialist society with distinctive Chinese characteristics.

Speaking at a Wuhan meeting attended by leading party, government, and military comrades in Hubei and Wuhan, Li Xiannian pointed out: In studying and implementing the guidelines set forth by the national conference, it is necessary, first of all, to study its resolution and the speeches of the members of the Standing Committee of the Political Bureau of the CPC Central Committee. To promote socialist material and spiritual civilizations, we must seek unity of thinking and action, intensify ideological and political work, uphold the four cardinal principles, and display the spirit of daring to bring forth new ideas. Cadres at all levels, especially those in leading positions, must set an example in upholding the party's three important work styles and must firmly rectify the party style so as to achieve a fundamental change for the better in party style and social conduct. Only thus can we promote socialist ethics. We must carry forward the spirit of self-reliance and hard struggle and the spirit of building the nation through thrift and hard work. We must seek truth from facts, maintain close ties with the masses, and reject such abominable practices as telling lies, resorting to deception, and exaggerating accomplishments. We must uphold the policy of opening to the outside world and enlivening the domestic economy, firmly adhere to our course, and be brave in exploring new ideas. In adhering to the socialist course, we must uphold the principle of achieving common prosperity on the basis of socialist public ownership, and properly handle the relationship between a planned economy, which plays the main role, and regulation by market force, which plays the supplementary role. We must ensure that our reform will be a success so that we can create the conditions for economic construction and the necessary means for future development.

Li Xiannian arrived in Hubei on 19 October. While here, he visited the peasants in the rural areas in Xianning Prefecture and inspected the tree farms there to familiarize himself with the people's production and living conditions. He also heard briefings from leading comrades of the Hubei Provincial CPC Committee and had discussions with some municipal, county, district, and village cadres from Wuhan Municipality; Xiangan, Huanggang, and Xianning Prefectures; and Hongan and Dawu Counties to understand their situations and views. He lauded Hubei's achievements in various fields since the 3d Plenary Session of the 11th CPC Central Committee. He especially praised the province's bumper agricultural harvest this year despite the serious drought. He urged people in Hubei to continue to pay attention to agricultural production, especially production of foodgrains. He said: In industrial production, attention should be paid to improving the quality of industrial goods so that they will become more marketable and more profitable.

Li Xiannian added: Hubei is an old revolutionary base where there are many veteran cadres. After stepping down from their posts, Communist Party members should not give up their communist ideals or stop displaying their revolutionary spirit. It is hoped that the retirees will play an even greater role in assisting the middle-aged and young cadres and in supervising the maintenance of party discipline. He urged party and government departments at all levels to do their retirement-related work well so that the retired comrades will have a happy life.

HU QIAOMU, OTHER LEADERS MEET TEXTILE WORKERS

OW151021 Beijing XINHUA Domestic Service in Chinese 1433 GMT 14 Nov 85

[By reporters Li Shangzhi and Sun Yong]

[Text] Beijing, 14 Nov (XINHUA) -- As bursts of merry laughter echoed in Huarentang Hall this afternoon, Hu Qiaomu, member of the Political Bureau, and Deng Liqun and Hao Jianxiu, members of the Secretariat of the CPC Central Committee, had a cordial meeting with the comrades of a national textile workers' lecturing group on ideals. They praised the textile workers as builders of socialist material civilization and practitioners and disseminators of socialist spiritual civilization and asked them to convey the party Central Committee's greetings and thanks to all textile workers.

When the three central leading comrades and Zhu Houze, director of the Propaganda Department of the CPC Central Committee, arrived at Huarentang Hall, they immediately recognized Deng Yangkun, a lathe operator of the Kunming textile plant. Holding her hands, Hu Qiaomu told her: "Imbued with a noble spirit, you have dedicated your chaste love to a rolling-mine hero, who lost his eyes and right leg in combat to safeguard the motherland. I hope you will be able to overcome whatever difficulty you may encounter in the future." "Our love is founded on the solid ideological basis of a common aspiration, and will not be shattered by any difficulty," said Deng Yangkun as Hu Qiaomu, Deng Liqun, and Hao Jianxiu were listening and smiling.

Holding Hao Jianxiu's hands, several women workers called her their big sister and model. Smiling, Hao Jianxiu said: "I was only about 14 or 15 years old when I started to work as a textile worker." "She was only 15 when elected a model worker!" interrupted Deng Liqun. Hao Jianxiu said: "That was the result of the party's training and veteran workers' assistance." Referring to the women workers, she said: "They have better conditions than we did, and will certainly be able to score greater achievements." Then, they had a picture taken together to mark the occasion.

After everyone took a seat, responsible comrades of the lecturing group and the Ministry of Textile Industry gave briefings on the group's activities in Beijing.

Comrade Hu Qiaomu said: The hearts of many people cried after your lectures were given, which have enabled them to understand the work of textile workers. "The work of light industry is not easy." Shouldering a difficult job, the contingent of textile workers have contributed greatly to the country and the people. Your extraordinary deeds performed in an ordinary job and the integration of your ideals with your job are very enlightening to comrades of all trades and professions.

Hu Qiaomu said: The party and the government have attached great importance to improving the people's livelihood. However, due to the vast area and population and different situations in all localities and trades, the improvement has been greater and faster in some localities and trades while it has been smaller and slower in others.

Under such circumstances, we all must foster an overall point of view and a drive to develop the production at one's own post. If one spends all his time calculating how to improve his livelihood, this person can become resentful and uneasy at his job. Expounding on the truth with practical experience in realizing ideals with your own hands, you comrades have performed work with great social significance.

He said: It is quite right that the lecturing group's activity is regarded as a good supplement to the frontline heroes-models' report group, because your lectures have given a convincing answer to the question of whether heroes and models could be born in peaceful rear areas in which the majority of the people of our country live and work. This is why your activity is of universal social significance. Hu Qiaomu hoped that the comrades of the lecturing group will be able to fulfill the following two points: first, that they will constantly improve their work regardless of difficulties; and, second, that they will give more lectures on practical life and work.

Asked by the comrades of the lecturing group to say a few words, Deng Liqun said smilingly: "First of all, I hope you comrades, most of whom are around 30 years old and still have a long time to serve the people, will continue to exert every effort in your study and work. Comrades who are not party members should strive to qualify for party membership in order to contribute more to the people. Second, you will make use of your job to unite more people and influence them to become advanced elements for many years from now on." Then, comrades of the lecturing group invited, with applause, Hao Jianxiu to say a few words. She said: "As a textile worker many years before you started this work, I am deeply aware of the sweet and bitter feelings of textile workers. I hope the many sisters on the textile front will display the tradition of defying hardships and fatigue and, in the spirit of sacrificing oneself for the benefit of millions of people, make even greater contributions to the people."

In conclusion, Hu Qiaomu said: "Although the ideological and political work is important, it also requires the support of certain material conditions." He called on the Ministry of Textile Industry to do everything possible to improve the working and living conditions of textile workers. The two vice ministers of textile industry who were present on the occasion promised to work in this direction.

In their speeches, two women workers of the lecturing group said: No matter how noble an individual's ideal is, it can remain obscure if it is not linked to the interests of the motherland, the people, and the party. An ideal can become meaningful only when it inspires the individual to scale new heights in work. The women workers said: Comrades of the group have undergone a new education in the lecturing activity and have already completed the application forms to join the party. They have asked the party organization to give them tests. Reluctant to leave the hall after the meeting, the group members asked the three leading comrades to give them autographs and pose for pictures. As the leading comrades complied with their requests, the hall again echoed with bursts of merry laughter.

LI PENG HAILS HYDROPOWER SOCIETY ACHIEVEMENTS

OW162348 Beijing XINHUA Domestic Service in Chinese 0856 GMT 13 Nov 85

[By reporter Du Xin]

[Excerpts] Nanning, 13 Nov (XINHUA) -- During the period of the Sixth 5-Year Plan, the Hydropower Generation Engineering Society of China carried out a series of academic activities around China's hydropower generation projects. The society scored outstanding achievements.

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This society, which was founded in 1980, has already set up 14 local chapters in 16 provinces and autonomous regions including Guangxi, Sichuan, Qinghai, and Xinjiang as well as the Armed Police Force Hydropower Generation Engineering Society.

The society had also organized forces to tackle key technical problems, provide scientific and technological consultations, and actively propagate new technology, achievements, and experiences. As a result, some hydropower generation projects have greatly reduced their construction costs and shortened their completion time.

Recently in Guangxi, the society held its second meeting of representatives to sum up its work in the past 5 years. In his letter greeting the meeting, Vice Premier Li Peng fully reaffirmed the achievements scored by the society.

HAO JIANXIU ATTENDS MEETING FOR SENIOR CITIZENS

OW170920 Beijing XINHUA in English 0708 GMT 17 Nov 85

[Text] Beijing, November 17 (XINHUA) -- A grand gathering was held at the Great Hall of the People yesterday to congratulate the 286 healthy senior citizens elected for 1985. Hao Jianxiu, member of the Secretariat of the Central Committee of the Chinese Communist Party, was present at the meeting to extend her congratulations. Respecting and caring for senior citizens is the virtue of the Chinese nation and the whole society is duty bound to take good care of them, Hao said.

The election of the 1985 healthy senior citizens was sponsored by the journal FRIEND OF HEALTH and the Chinese elderly sports association. The 286 healthy senior citizens, 262 men and 24 women, were elected from among the five million people above 80 years old in 26 provinces, municipalities and autonomous regions. Ten are over 100 years old, with the eldest being 121 years old, from Shuizhou City, Hubei Province. They include party and government leaders, scientists, workers and peasants.

DENG LIQUN AT CALLIGRAPHY EXHIBIT OPENING

OW172159 Beijing XINHUA Domestic Service in Chinese 1516 GMT 15 Nov 85

[By reporter Yin Hongzhu]

[Excerpts] Beijing, 15 Nov (XINHUA) -- The first exhibition of calligraphy and Chinese paintings by 185 retired cadres on the metallurgical front opened today at the Working People's Palace of Culture. Deng Liqun, member of the Secretariat of the CPC Central Committee; Wang Heshou, second secretary of the Central Discipline Inspection Commission; and leading comrades of relevant departments Yuan Baohua, Gao Yangwen, Li Dongye, and others attended an opening ceremony for the exhibition. Qi Yuanjing, minister of metallurgical industry, delivered a speech. He said: So many old comrades express their feelings and sentiments and enrich their lives with their calligraphy and Chinese paintings. This is a good sign. These works with different themes and in varied styles are imbued with a strong flavor of the current era. They reflect the spirit and colorful retired life of the retired cadres as well as their warm feelings for the party, the state, and the people and for the development of the metallurgical industry.

After the closing of the exhibition in Beijing on 23 November, it will be held in different enterprises and units in the metallurgical industry in various localities.

SHAANXI'S BAI JINIAN ON IMPORTANCE OF AGRICULTURE

HK130615 Xian SHAANXI RIBAO in Chinese 26 Oct 85 pp 1, 2

["Excerpts" of speech by Comrade Bai Jinian at a provincial meeting of agricultural and animal husbandry bureau chiefs: "Agriculture Is Still an Important Basis of the National Economy" -- date not given]

[Text] Correctly Assessing the Rural Economic Situation; Further Raising the Understanding that Agriculture Is the Basis of the National Economy

Since the 3d Plenary Session of the 11th CPC Central Committee, and following the enforcement of the party's various rural policies and the smooth progress of the reform of the rural economic management structure, agricultural production and the whole rural economy in our province have enjoyed a state of sustained and stable development. In 1984, the gross output value of the rural society in the whole province increased by 61 percent (at current prices) over 1978, averaging an annual increase of 8.3 percent. Of this, the agricultural gross output value increased by 44.7 percent, averaging an annual increase of 6.3 percent. In the 29 years between 1949 and 1978 the average annual growth rate had been only 3.9 percent. The readjustment of the rural industrial structure and promotion of agricultural advance in the direction of diversified operations have reaped initial results. Enterprises in the country towns have developed rather rapidly. Their gross output value in the first half of the current year increased by 39 percent over the corresponding period of last year. In the gross output value of the rural social structure, the proportion of agriculture has dropped from 77.3 percent in 1978 to 72.5 percent; whereas the proportion of rural industries, transportation trade, construction industry, commerce and the restaurant service trade has increased by 4.8 percent. In the gross output value of agriculture, the ratio between the plantation trade and the forestry, animal husbandry, sideline production and fisheries industries and trades has changed from 77 percent to 23 percent in 1978 to 71 percent to 29 percent, the forestry, animal husbandry, sideline production and fisheries industries and trades having increased by 6 percent. Of the gross output value of agriculture, the proportion of grain dropped from 61 percent in 1978 to 43.6 percent in 1984, while the output value of economic crops and diversified operations increased from 39 percent to 56.4 percent. The volume of commodities in the output of agriculture and forestry, animal husbandry, sideline production and fisheries has achieved a rather large increase, the commodity rate having increased from 34 percent in 1980 to 44.8 percent in 1984. In 1984 the per capita net income amounted to 262.5 yuan, an increase of 97 percent over 1978, and the standard of living of the peasants has risen continuously. The successes in rural reform have promoted the reform of the entire economic structure, provided experience for the reform of the urban economic structure, given a material guarantee for developing the national economy, and solved the long-standing harassing problem of feeding the people. It may be said that the whole rural situation at present is one of the best since the founding of the PRC. However, under this extremely good situation, we must remain level-headed and must make a correct and overall analysis of the rural situation. We must, on the one hand, ascertain and sum up the enormous successes and experiences gained in the first stage of the rural reform, and on the other hand, perceive that there are still many problems confronting us and needing our study and solution. Therefore, we must not be blindly optimistic or become careless but must even more meticulously and effectively do a good job in guiding the existing rural work.

It is necessary for us to perceive that, compared with the country as a whole, the rural economic situation in our province is still at a rather low level, that the backward condition of our agricultural production has not been basically changed, that the commodity rate is lower than the country's average level, that our per capita net income is 23.5 percent lower than the national average, that very few people have truly become affluent, that by far the great proportion of the peasants have only just solved their clothing and eating problems, and that agriculture cannot be said to have "passed the test." At present, in the province about 10 percent of the peasants are still struggling in an impoverished or comparatively impoverished state. We must also perceive that in the past several years, the rural economy has displayed, to a great extent, a recuperative character and that the continuous plentiful harvests in agricultural production have been due to the CPC Central Committee's correct policies stirring up the peasants' enthusiasm in production and have depended on fully exploiting the potential of existing production conditions. As a whole, our agricultural production has a rather fragile foundation and the level of its productive forces is rather low. Viewed from the standpoint of investment in agriculture, since the enforcement of the responsibility system, rural production units have changed to a household basis and the accumulation of capital funds has been extremely slow and relatively scattered. The funds of the original production units are also very scarce. Within a short time it is not possible to form a production force of a relatively suitable scale, while for the present the state cannot, all at once, spend any large sum on supporting agriculture.

As for the basic conditions for agricultural production, the material equipment, power equipment for farm use, and farm machines and so forth are also very backward. With farm water conservancy facilities and measures already at a low level, of the original 19 million mu of irrigated fields in the province, the actual effectively irrigated area has never exceeded 12 million mu. Moreover, in recent years, due to apportionment of land for capital construction, the ravages of floods and waterlogging, and our own poor management, the effectively-irrigated area has been diminishing. In fact, the area of cultivated land has been decreasing yearly. In recent years, the input of land in certain localities has been reduced, soil fertility has fallen, crop varieties have been in a confused and mingled state, plant diseases and insect pests have been serious and plant protection work has been generally weakened. Our agriculture, particularly crop planting and animal husbandry, has suffered to a large extent from the restrictions of natural conditions. The great majority of the peasants, long influenced by the economic ideas of a small peasantry and lacking the concept of commodity production, lack the necessary scientific technology and cultural knowledge and, although "capable persons" are found in the rural villages, the great majority of them have a low level of culture and a low cultivation of scientific knowledge. All this shows that at the present stage the level of our agricultural production forces is still far from meeting the demand of modernization.

From now on, it is necessary to make further, new breakthroughs, ensure stable development, and speed up the conversion from self-sufficient and semi-self-sufficient economy to a commodity economy, and the transformation from traditional agriculture to modernized agriculture. To realize and achieve the grand objective and main task advocated at the 12th CPC National Congress, we have to make even more arduous efforts. Therefore, we must never entertain the idea that the agricultural problem has already been solved, but must make a renewed study and have a renewed understanding of the concept that agriculture is the foundation of the national economy. From now on, for a rather long period, it is necessary to place agriculture and development of the rural economy in an important position in developing the national economy, place it as an important item on the daily agenda, and firmly and persistently grasp this work.

This being the case, to develop agriculture and to realize the fighting targets for the year 2000, what should we principally grasp? And in what directions should the efforts be made? First, the provinces, districts, and counties at various levels must firmly carry out the central government's various policies pertaining to developing the rural economy and carrying out rural reform. At the same time, the necessary supplementary regulations must be made in accordance with our concrete conditions. The first step in rural reform is principally to discard the practice of "everybody eating from the same big pot" and carry out the agricultural production responsibility system. In reality, this is readjusting production relations and arousing the production enthusiasm of the peasants. The second step in rural reform is principally to solve the problem of unitary operation, readjust the rural industrial structure, develop rural economy in an overall manner, and continuously and briskly proceed toward commercialized production. Accompanying the development of commodity production, it is also necessary to promote the transformation of agricultural technology in an overall manner and solve the problem of modernization of agriculture. Hence, we must, in accordance with the continuous development of the situation, promptly advocate and compile new policies to facilitate rural economic development.

Second, we must rely on science and technology to improve and increase the quality and quantity of output of the rural industries and trades. Science and technology includes the continuous improvement of the basic conditions in agricultural production and continuously providing various kinds of materials, technical equipment, water conservation facilities, machines, chemical fertilizer, good seeds, and plant protection facilities for the purpose of increasing agricultural production. Since our country has a large population but scanty cultivated land, to develop agriculture we should mainly rely on scientific farming and intensive farming so as to raise the yield per unit area and to increase grain output and output of the economic crops, and on increasing the number of cattle per herbage unit area. With the relatively scanty area of land available, to be able to produce more grain, edible oils, tobacco, and feed grass and to rear more pigs and cattle stock it will be necessary to readjust the industrial structure and to rely on science and technology for accomplishment. It should be seen that the potentials of relying on science and technology to develop agriculture are boundless. In this regard, we still need to do a lot of work.

Third, we must strengthen the operation and management of agriculture. This includes raising the operation level of peasant households, and developing and bring to perfection the rural cooperative economic organs. Following the readjustment of the industrial structure, certain things cannot be accomplished if we rely on one family or one household alone. For example, in undertaking water conservancy construction and in the purchase and installation of large agricultural machines, we cannot rely on one family or one household alone. It is only natural that in the countryside new cooperative organizations will continuously appear. The emergence of these economic joint organs -- which have different scales of operation, are in diversified forms, and consist of many layers and levels -- is determined by the level of development of the productive forces and is a natural outcome in strict accordance with the law of economic development.

The task of rural operation and management is, along with continuously raising the operation level of the peasant households, to earnestly solve the problem of how to raise the economic management level of the new cooperative organs and how to improve their economic results. This is indeed a science in itself. Raising the economic management level requires the establishment of the commodity production ideology and envisages the use of the law of value and economic levers to guide and help the cooperative economic organs and the extensive masses of peasants to make correct operating decisions, to continuously improve operation and management, and to increase revenues and improve results so that the masses of peasants can become affluent.

Natural economy and small peasant economy have no business accounting, do not compute the cost of production, and never study how to raise the operating and management level or increasing the economic results. They do not look at market information, supply and demand relations, or the state of commodity competition. We must strive to rectify these drawbacks, so as to conform with the new situation of the development of rural commodity production and guide and help the peasant families and the rural new economic cooperative organs to continuously improve their operation and management and raise their operation level and economic results.

Firmly Insisting on the Guideline of "Never Loosening Grain Production but Actively Developing Diversified Operations" and Doing a Good Job in Readjusting the Rural Industrial Structure

Following the enforcement in the countryside of the system of contracted responsibilities on a household basis, with payment linked to output, and the successful completion of the reform of cooperative economy and readjustment of the production relations, the central authorities have appropriately advocated the correct guidance ideology in the countryside of transforming production of a self-sufficient character to commercial production and the transformation from traditional agriculture to modernized agriculture. They next advocated that the rural industrial structure be readjusted and the development of commodity production be speeded up.

Since the beginning of this year, the system of government monopoly of purchase and marketing of agricultural and sideline products has been reformed, the method of placing orders and purchasing by means of contracts and regulation by market mechanism has been enforced, and the market mechanism has been employed to guide agricultural production so that it may develop in a planned and coordinated manner. All these measures are correct policies that fully conform with the objective laws governing rural economic development. The readjustment of the industrial structure is another important measure in the reform of the rural economy and provides the only road to realizing agricultural modernization and converting the peasants from poverty to affluence. In readjusting the rural industrial structure, first we must change the system of unitary operation in rural economy, bring about the simultaneous emergence of groups such as agriculture-forestry-animal husbandry, planting-rearing-processing, and agriculture-industry-commerce. In particular, we must break through the production structure, which has long been centered on the plantation industry and trade, and must develop rural industry, processing of agricultural sideline products, warehousing, packing, transportation, and the services and construction industries and trades, thus promoting the all-round development of rural economy.

At the same time, the internal parts of agriculture and the internal parts of the plantation trade must be further readjusted. In the course of readjusting the industrial structure, it is necessary to correctly handle and readjust the new contradictions and new problems that have arisen. We must handle well the relations between grain production and production of economic crops. After all, grain production is still an important material foundation. At present, our grain production level is still rather low. The per capita share is not high and our future development of animal husbandry will not be possible if grain supply is insufficient. At the same time, the development of grain production is unbalanced. In some localities grain is plentiful, while in other localities it is sadly deficient. Viewed from our own grain production conditions, we basically depend on heaven for grain harvests and the fluctuations in production are really great. Last year grain output in the whole province broke through the 20 billion jin limit, but this year the decrease in production is estimated to be at least 10 percent. Hence, it is necessary for us to firmly insist on implementing the guideline of "never loosen the grip on grain production but actively develop diversified operations," and insist on the foundation of ensuring stability and an increase in grain production, and speeding up the steps in readjusting the industrial structure. The present problem is not that the area for grain production has been reduced too much or that the growth of the economic crops has been too rapid.

In reality, the ratio of our economic crops is not high. We can hardly say that they have been overdeveloped. So far we have not basically broken the traditionally proportionate structure between economic crops and grain crops. The development speed of economic crops is still relatively low. In regard to the variety, quantity, and quality of products, our economic crops are still far from meeting the needs of the light and textile industries and of the people's livelihood and they still need to be vigorously developed from now on.

At present, the main problem is that the level of grain production per unit land area is low and development of economic crops is still relatively slow. Neither grain nor economic crops should elbow the other out and depend on expansion of the production area to increase output. Rather, it is necessary to enforce intensive farming, to give close attention to the use of new scientific technology, and work on increasing the output per unit area. In recent years, in certain regions the phenomenon of loosening the grip on grain production has appeared, principally because under the longstanding guidance of "leftist" ideology and as a result of "everybody eating from the same big pot" the peasant masses have long suffered from the terrors of poverty, starvation, and sweetened words. Now, the situation has been enlivened through the enforcement of the production responsibility system and the liberalizing of policies, but the peasants still cannot rest assured; hence they have decided on making money first. With agricultural products subject to the influence of market prices, they plant whatever crops are easily marketable and in some extreme cases may even go into ventures of a predatory nature.

This problem, though only provisional, should attract our attention and we should actively guide the peasants to develop commodity production on the proper and correct tracks. If it is thought that the reduction in the area of farmland devoted to grain production is an indication that the peasants are no longer interested in planting grain, then this does not completely conform with reality. Peasants have a great dependence on land and grain, since everybody must have rice to eat. If psychologically the peasants' dependence on government policies is stable and follows the constant readjustment in price policy, the peasants will assuredly make some long-term plans, invest in agricultural capital construction, and accept new scientific technology to increase the production of commercial grain and thus increase their income.

To handle well the relationship between agriculture and rural work, it is particularly necessary to vigorously develop country township enterprises. Township enterprises should serve agriculture and pay special attention to processing agricultural and sideline products, but should not allow old conventions, such as the "three accommodations and four commitments," to strangle them. In developing township enterprises, we should consider not only the availability of resources but also the conditions of technology and talented persons, and, in fact, should regard technology and talented persons as the important resources. Some of our comrades frequently see the importance of natural resources and fail to see the importance of talented personnel and technology. This is pure one-sidedness. In certain advanced provinces, district and township enterprises have enjoyed rapid development. The principal reason is that they command supremacy in the resources of technology and talented personnel. In our cities, towns and outlying areas, we also have good conditions in personnel and technology. Why can we not achieve certain "high, choice, and top-notch" accomplishments? As we see it now, if we have the talent, technology, and market demand, then even without natural resources we can still develop economy mainly by regulating imports, joint efforts, and entering into cooperation.

In fact, in different localities in the province, natural resources are rather plentiful. For example, plentiful coal deposits are found in regions north of the Wei He and in northern Shaanxi, while in southern Shaanxi, in the Qin and Ba mountain areas, there are many kinds of underground mining deposits, and above ground we have literally a treasure house of living things. Talent and technology provide the key to determining whether or not we can utilize these hidden potentialities to develop the economy. As for the processing of agricultural and sideline products, we are not lacking in resources but we do lack talented people and technology. Hence, in order to develop township enterprises well, it is most important to discover, train, and introduce talented persons and to learn and apply advanced scientific technology and management experiences.

If we want to realize agricultural modernization, a large part of the labor power must move away from agriculture, leave the soil, and be shifted to rural industries, service trades, and other trades and industries. In such a large country as ours, where the rural population makes up 80 percent of the whole, the capacity of the cities to absorb more people is limited. Principally, the shift must be made to township industries. Rural villages must absorb the surplus and small townships must be established to develop rural and tertiary industry. Hence, to continue to have a free hand in developing township enterprises, it is naturally important to sum up experiences and lessons, and avoid proceeding blindly. It is necessary to pay attention to integration with the all-round technical transformation of agriculture. All newly established industrial departments, new projects, and newly developed products must, wherever possible, be established on the foundation of advanced technology, the quality of the products must be improved, the quantity of output increased, the competitive ability of the commodities must be strengthened, and the economic results must be enhanced. We must enable the products to break into the markets in cities and towns and also the national and international markets, and be integrated with the applied agricultural divisional results, working in accordance with natural laws. Agricultural divisional results provide the basis guiding the development of rural economy and should play a role in readjusting the industrial structure and determining the rational geographical distribution of the various rural industries, thus putting the readjustment of the industrial structure and the reform of the entire rural economy on a scientific basis.

It is also necessary to pay close attention to strengthening land administration work. Our national policy is to treasure and rationally utilize each and every inch of land and to provide more cultivated land. In our province, there has been a tendency to large-scale reduction in per capita cultivated land. At the initial period of liberation, the average per capita cultivated land was around 5 mu. Now it is less than 2 mu. On the average, the yearly diminution in cultivated land is around 300,000 mu. This problem is an exceedingly grave one. We must firmly rectify the phenomena in certain regions of disregarding the importance of land, wantonly using or occupying land, and buying and selling cultivated land. In liberalizing policies and invigorating the economy, we cannot liberalize or relax the power of land administration. Land must be subject to rigid control in law and to the strict enforcement of all relevant rules and procedures. By no means should we allow the procedure of examining and sanctioning the use or occupancy of land to run out of control; nor should we permit a large-scale diminution in the area of cultivated land simply on the pretext of readjusting the industrial structure or developing township enterprises. In planting certain economic crops, newly established township enterprises should, wherever possible, refrain from using good farmland but should fully use barren hills, non-cultivated land, or poor land.

Improving the Work Style and Strengthening the Building of Rural Basic-level Organs

At present, the tasks facing the rural villages are very complex and onerous. They require each and every cadre among us to bestir himself with good spirit.

A poor mental attitude is extremely harmful to our enterprises. We must do our work in a down-to-earth manner, produce outstanding results, and follow Comrade Xiaoping's admonitions to "say few empty words but perform more actual deeds," and Comrade Yaobang's urgings "to do real work and hard work and never be superficial or display false skills."

Implementation of the production responsibility system in the countryside and development of commodity production have brought about historical changes in all rural work, in rural economy, and in the rural situation. How to suit our ideological style and work methods to this changed situation is an urgent task placed squarely before the comrades of the whole party, particularly comrades on the agricultural front. Quoting the words of comrades on the agricultural front, this is likened to "shifting to another track and changing the pattern." In my opinion, not just comrades on the agricultural front but all comrades in rural work are faced with the demand of being suited to the new situation and the problem of doing a good job in "shifting to a new track and changing the pattern." In regard to rural work and leadership over agricultural production, it is necessary to transform the former practices of principally relying on administrative orders and administrative control to the direction of serving the development of commodity production in the countryside, doing a good job in all rural work, and serving the production tasks of the thousands and tens of thousands of households. Our current work style and method of work are still far from conforming with the new situation and we will have not clearly grasped work methods in this connection.

For a long time, under the guidance of "leftist" ideologies and working under the structure of "ownership by three grades, with the production team as the base," everybody has been accustomed to depending on administrative orders, or on a mandatory plan to guide economic work. Having changed over now to production on a per-family or per-household basis, to continue to adhere to the old method of control in collective economy is neither suitable nor workable. As for how we should carry out guidance of the economy on a per-family or per-household basis, everybody lacks the necessary experience and does not know how to proceed. Nor indeed has the leadership given any timely help to anyone in summing up the experiences in this connection. This is one of the reasons why many basic-level organs have been in a paralyzed or semi-paralyzed state. In order to more effectively guide rural work, we must place this problem on the agenda of meetings on important matters. We must note that, following the big changes in the rural areas, the demands that the peasants have made of us have reached an increasingly high plane. They are hoping that our cadres can more effectively guide them to develop commodity production and help them to become affluent as soon as possible. It should not be said that there is nothing to do in rural work, but that the rural tasks have become more complex.

In guiding the macro-economy, agricultural departments should assist the leadership at various levels, perform well the jobs of regulating and controlling the rural economy, and facilitate the development of the rural economy in a coordinated and balanced manner. Moreover, in the various sectors of information, funds, personnel, technology, commodity circulation, policy enquiries, legal counseling and organization and coordination work, they should assist the peasants in decision-making, working out solutions for them, solving difficult problems, and helping them to solve factual problems that one family or one household alone cannot solve. On the other hand, many comrades among us have little basic knowledge of commodity production, are not too conversant with the party's policies and have not yet acquired the ability to use economic levers to regulate production. This state of affairs must be speedily rectified.

Recently, the provincial CPC Committee has discussed this problem and has advocated the measure of giving training, by rotation, in a planned manner, to the basic-level cadres (including party and governmental cadres in rural work and cadres in rural economic work), thus improving the quality of cadre ranks. The training should not be confined to only township heads, party committee secretaries, village heads, and secretaries of party sub-committees. With the present development in commodity production, economic management organs have grown in size and their work is much more complicated. It is thus also necessary to train the heads of credit societies; managers of agricultural, industrial, and commercial organs; chiefs of police stations; heads of industrial and commercial control offices; and so forth. This is because each and every industry and trade directly influences rural work, and influences agricultural production and the development of the rural economy. Hence, it is necessary to train a team of basic-level cadres who can meet the demands of the new situation and new tasks.

This is a big task of a strategic nature. The training must not only raise the cadres' business caliber but also improve their ideology and work style. At present, the outstanding problems with basic-level cadres are that many of them are not penetrating enough in their work. They are irresponsible and interested only in securing subsidies, not in doing actual work. Moreover, a small number of cadres have abused their power and authority for personal gain and have broken the law and violated discipline. The people have all expressed their dissent. Hence, this winter and next spring the entire province will endeavor to heighten the political and business caliber of basic-level cadres and take this as an important task. The district and county party committees must each assign a person to act as the principal responsible person to centralize the forces in grasping this work. By means of training and cultivating, we can set up in the cadres the ideology of serving the people and raise their policy level and business ability.

At the same time, we should earnestly grasp the work of building the party's basic-level organs in the countryside. At the moment, there are many problems in the building of basic-level organs and this may indeed be taken as an outstanding and weak link in rural work. In many localities, political ideological work is weak. Many of the party's subcommittees have for a long time failed to take part in any activities, leading the populace to think that currently the rural party organs have nothing to do. Some secretaries of subdivisions and some secretaries of rural party committees have kept themselves busy enriching their families and themselves, neglecting their work. In some villages, organizations such as the village associations, women's federations, militia corps, and so forth, have existed only in name, and in some cases the organs are found to have been dissolved altogether and are no longer able to perform any functions. In some other localities, nobody takes up the work of enlisting new party members, and the role of party organs as bastions of struggle and the role of party members as models taking the lead in all work have both been noticeably weakened. These problems have brought about a situation in certain regions in the countryside in which government cannot carry out its orders and is unable to gauge the feelings of the populace. This indeed has seriously impeded the implementation of the party's roads, guidelines, and policies. As a result, in certain localities, superstitions, gambling and speculative activities have become rampant and witches and sorcerers have a free hand in victimizing the common people, with nobody caring to interfere.

The provincial party committee has now decided that this winter and next spring, in combination with party rectification work, the rural basic-level organs will be rectified in batches and at different times, with the aim of principally solving the problem of how to bring into full play the role of party organs as bastions of struggle and the role of party members as vanguard models, so as to strengthen the socialist ideological front in the rural villages.

Beginning in the fourth quarter this year, from the party and government organs at various levels ranging from the provincial grade to the county grade, 5,000 cadres will be selected and transferred to the basic-level organs to help the latter in their work. Of them, about 1,000 cadres will be drawn from organs at the provincial level, principally assigned to the impoverished and backward areas in northern Shaanxi and southern Shaanxi. Their major tasks will be to help and consolidate the basic-level organs, strengthen the construction and organization structure of the basic-level organs, and train cadres. They will strive to do a good job in readjusting the industrial structure, guide the development of commodity production, render aid to impoverished and backward regions and peasant households, and formulate plans to overcome poverty and to become affluent, thus gradually changing the countenance of being sorely stricken by poverty. The plan is to bring about, in 3 to 5 years' time, a comparatively big change in the face of the impoverished hilly regions in the whole province. By so doing, it will not only meet the needs of strengthening the work of the basic-level organs but also offer a good opportunity to train and temper the cadres. It is also extensive and penetrating investigation and research work, with great benefits to the tasks of improving the work style of the leadership organs, understanding the wishes of the populace and generally overcoming bureaucratism. The provincial party committee calls on all party and government cadres to enthusiastically take part in this work.

Finally, I especially wish to mention again that the comrades engaged in work on the agricultural front have done a very strenuous job. The fact that in recent years successes have been achieved in rural reform, agricultural production has recovered and developed rapidly, and the rural villages have attained such a good situation is attributable to strenuous work and hard struggle on the part of our comrades on the agricultural front. Naturally, in moving forward, we are still meeting with many difficulties such as insufficient expense funds for agriculture, while reports at meetings have amply reflected that cadres in agriculture and animal husbandry have still had certain difficulties and problems in their work and living conditions. All this should attract our earnest attention and we should adopt measures for their gradual solution. It is hoped that all of us will make joint efforts to overcome the difficulties and solve the existing problems, and thus further improve our rural work. It is further hoped that comrades in the districts and counties will have high regard for the agricultural problem and further strengthen their leadership work over agriculture. It is necessary to point out here that agriculture is still an important basis of the national economy. For a long time to come, strengthening our agriculture will continue to be our important fighting task. It is fervently hoped that all of us will further establish the idea of agriculture as the foundation of the national economy, be united in heart and soul, redouble our efforts, and make new contributions to the sustained development of agriculture in our province.

REPORT ON ELECTION CAMPAIGNING IN TAIWAN

HK200310 Beijing ZHONGGUO XINWEN SHE in Chinese 1506 GMT 15 Nov 85

[Report by correspondent Wang Jie: "The Campaigning Scene in Taiwan"]

[Text] Beijing, 15 November (ZHONGGUO XINWEN SHE) -- Local public election activities in Taiwan, which lasted for 10 days, ended on 15 November. During those 10 days all of Taiwan was thrown into a heated and noisy "cultural and propaganda war."

"The General Mobilization of Human Resources and Financial Resources"

The Taiwan authorities repeatedly declared that they would not let "money" and "violence" get involved in the election. But what really happened? During the election period all constituencies established "service centers." These provided light refreshments and food for night-time voters. The big restaurants were like busy markets. Some candidates started a dinner party-giving competition: "If you invite 20 tables of voters to your dinner party, I will invite 50 tables of voters to mine." Some candidates even sent cars to carry voters back and forth. When the voters left, some candidates even gave them taxi fare. Many candidates presented gifts as "an additional benefit" to the voters.

Near the end of the election, many candidates sent people out to buy votes. Some even went to the homes of voters to buy their votes. The price of one vote was 300 to 1,000 New Taiwan dollars.

According to some rough estimates, one candidate had to spend 3 to 5 million New Taiwan dollars just to pay for leaflets and other propaganda materials and his campaign helpers. This did not include money spent for gifts, dinner parties, and other things.

The ban on "financial involvement" stipulated in "the Election Law" became meaningless during the election. Taiwan's CHUNG KUO SHIH PAO pointed out: "An election is a general mobilization of human resources and financial resources" and "all the candidates had collected enough money before the election to compete against one another."

"The Contention for 'Public Places'"

All temples, parks, schools, markets, and densely populated places, as well as locations where traffic was convenient, were seen by the candidates as "gold places." Sometimes, the contention was very fierce.

The hours between 1800 and 2200 were "gold time" in a typical day. By evening, all constituencies were brightly lighted, like daytime, and they bustled with noise and excitement. All the "political forums" put on rival shows, with speaker volume turned up to maximum in order to disturb each other. People debated or shouted loudly at one another and the hawkers sold their wares. The whole scene was a mess. One of Taiwan's newspapers provided a vivid description of the campaign scene: "Lights, joss sticks, and candles shone brightly, the rostrums were brightly lit, and the streets were crowded with people competing with one another to see the politicians."

"Monks", Theatrical Troupes, Kitchen Knives, and Chicken Coops All Joined the Campaign

When the election campaign got white-hot, the various election activities became sharp rivalries in showing "extraordinariness and beauty." Good plays were shown one after another.

Mr Gao, who was a candidate for "member of the provincial assembly" invited an opera troupe to support his "political forum." Mr Cai, who was a candidate for mayor of Jayi City, invited a shadow-show troupe to perform a play called "Go to the Thatched Cottages Three Times" to support his campaign. Some candidates showed video cassettes and played tape-recorders to advertise themselves to the public. Mr Zhang, who was a candidate for the Taipei Municipal Assembly, sponsored a southern Fujian song concert before he held his political forum. At the beginning of the concert, Mr Zhang himself stepped onto the platform to sing "Dark Sky," "Repairing the Broken Fish Net" and some other Taiwanese folk songs. He attracted a big audience.

Even more interesting some "monks" also went onto platforms to aid candidates. At a political forum held at the Beidalu Square in Xinzhu City, a head-shaved "monk" wearing a yellow kasaya and beads went up to the platform. The "monk" was actually Shi Xinhe, younger brother of Shi Xinzhong, former mayor of Xinzhu City. On that occasion, he purposely wore the Kasaya and beads to help another brother, Shi Xinrong, in his campaign for mayor of Xinzhu City, and to help his sister-in-law in her campaign for "member of the provincial assembly." Shi Xinzhong had been imprisoned by the authorities for protesting against their charges against him of "corruption and misconduct." Before Shi Xinzhong was imprisoned, he was dressed like a monk.

Mr Yu, one of the candidates for mayor of Jilong City, made an unexpected, tricky, and last resort move: He walked up to the platform with a kitchen knife and chicken coops. He challenged other candidates to go to the temple at the city gate to chop off the head of a chicken and pledge not to become corrupt officials.

Crossing Verbal Swords and Striking First With One Hand, Then With the Other

In the arena, candidates crossed verbal swords and engaged in heated debates. The present Gaoxiong County magistrate, Mr Cai, who was a KMT candidate, met with Mrs Yu Chen, a nonparty candidate. Mr Cai started the debate by saying that Mrs Yu Chen had employed many aides to support her in the election, and that her house was like a "doghouse." Mr Cai even imitated a dog's voice when he was speaking angrily. Then, curiously, he said that Mrs Yu Chen's campaign aides were as thin as "those who are suffering from very serious tuberculosis." He suggested the audience "take precautions against infection." In a calm voice, the experienced and prudent Mrs Yu Chen listed a series of major criminal cases in Taiwan over the past few years. She said the KMT had destroyed the political atmosphere in Taiwan, hindered Taiwan's economic development, and caused widespread unemployment. Finally, she asked: "Since the KMT has not done well the past 40 years and is not doing well now, is it possible that it will do well in the future?"

The contention among various candidates was very fierce and complicated. There were parties inside a party. There were factions outside a party. The contradictions between the KMT and the non-KMT candidates were crisscrossed and intricate. The focal point of the contention was still the struggle between the KMT candidates and the non-KMT candidates. Although the non-KMT candidates still cannot achieve an overall majority in the election, the days when "KMT candidates were automatically elected" are gone forever.

In the opinion of some observers, this was "an election disaster," imposing heavy losses for Taiwan's human and financial resources and bringing intranquility to the government, the public, and the common people of Taiwan.

An article by a professor said: "The reason there is always tension when an election is held in Taiwan is not because people care too much about 'who will win the election,' but that people fear the election will result in violence and other unexpected changes, and that the unstable politics will affect their economic lives. So each time an election is held in Taiwan there is always a big shadow which worries the people!"

XINHUA COMMENTS ON TAIWAN ELECTION RESULTS

OW201424 Beijing XINHUA Domestic Service in Chinese 0910 GMT 19 Nov 85

["'Local Elections' Based on Money;; End of Taiwan's 'Local Elections'" by XINHUA reporters Li Honglin and Xiao Luntian]

[Excerpts] Beijing, 19 Nov (XINHUA) -- The "local elections" in Taiwan -- an event held every 4 years -- ended on 16 November, following more than 6 months preparations and 10 days of "campaigning" activities. Elected this time were 21 "county and city chiefs," 77 Taiwan provincial "assemblymen," 51 Taipei city "councillors," and 42 Gaoxiong city "councillors." Of those elected, Kuomintang members accounted for 77.5 percent, while the remaining 22.5 percent were non-Kuomintang people.

In each of the previous "local elections" in Taiwan, the Kuomintang held from 60 to 70 percent of the seats. For cosmetic purposes it left the remaining 30 to 40 percent of the seats for non-Kuomintang people to seize through competition. In the last 6 months or so, a host of major incidents and cases have occurred successively in Taiwan: for example, the coal mine disasters, the Jiang Nan murder case, the "10th Credit Cooperative" scandal, and the mildewed corn case, all of which caused a great impact on Taiwan's society. In view of this, at the inception of the "local elections" this year, the Kuomintang adopted a series of measures, such as nominating a large number of candidates or even as many candidates as the number to be elected and trying to foster the "good personal images" of Kuomintang candidates in order to consolidate its position. In some places when candidates were registering prior to their "campaigning" activities, those who were not Kuomintang members were forced to withdraw, resulting in Kuomintang-nominated candidates running unopposed.

According to reports by Taiwan papers, in the middle of the night on 15 November, the eve of election day, fraudulent ballot-handling was suspected in Gaoxiong County. Some 20,000 people circled the local court and the Kuomintang office there to protest, almost resulting in bloody clashes. On 16 November in Xinzhu City, after the ballots were cast, more than 1,000 people assembled in front of the "city government" to protest because of suspected fraud.

According to information released by the Taiwan authorities, the rate of voting in this year's "local elections" was 71.7 percent. Some Taiwan papers commented that "the low rate indicated that the public wanted to use silence to protest the government's recent policies and mistakes" and that the authorities' "methods for handling their banking and political scandals and the three coal mine disasters killing 269 people have ruined the Kuomintang's image."

Some Taiwan papers exposed the fact that money and violence were involved in this year's "elections."

CHUNG KUO SHIH PAO said that although the authorities always used the words "there was such an allegation but no real evidence" to brush aside the accusation by public opinion against bribery in voting, "it was incontestable that money was involved in the elections." Another report said that prior to the elections a time bomb was found at the door of the residence of Xu Hongzhi, the present Taoyuan County magistrate, who was a candidate for his next term. This illustrated that violence was involved in this year's "local elections."

KUOMINTANG VICTORIOUS IN LOCAL ELECTIONS

OW180415 Taipei CNA in English 0309 GMT 18 Nov 85

[Text] Taipei, Nov. 16 (CNA) -- Candidates for the ruling Kuomintang won overwhelmingly in the local elections held Saturday throughout the Taiwan area. In the elections of county magistrates and city mayors of the Taiwan Province, the list of elected is as follows (R-re-elected, N-newly elected, KMT-Kuomintang, NP-non-partisan, I-independent):

Penghu County: Ou Chien-chuang (KMT, N); Hualien County, Chen Ching-shui (KMT, N); Changhua County, Huang Shih-cheng (I, R); Taipei County, Li Feng-cheng (KMT, R); Ilan County, Chen Ting-nan (NP, R); Tainan County, Lee Ya-chiao (KMT, N); Kaohsiung County, Yu Chen Yueh-ying (NP, N); Taitung County, Cheng Lieh (KMT, N); Yunlin County, Hsu Wen-chih (KMT, R); Taoyuan County, Hsu Hung-chih (KMT, R); Chiayi County, Ho Chia-jung (KMT, N); Taichung County, Chen Keng-chin (KMT, R); Pingtung County, Shin Meng-hsiung (KMT, N); Miaoli County, Hsieh Chin-ting (KMT, R); Hsinchu County, Chen Chin-hsing (KMT, R); Nantou County, Wu Tun-yi (KMT, R); Taichung City, Chang Tzu-yuan (KMT, N); Keelung City, Chang Chun-hsi (KMT, R); Chiayi City, Chang Po-ya (NP, R); Tainan City, Lin Wen-hsiung (KMT, N); and Hsinchu City, Jen Fu-yung (KMT, N).

In the election of members of the Fifth Taipei City Council, the Kuomintang candidates won 38 of the 51 seats in contention, accounting for 74.51 percent of total seats, while 11 candidates recommended by the non-partisans were all elected, accounting for 21.57 percent. During the election, the Kuomintang fielded 49 candidates and 77.55 percent of them were successful in the elections. There were two independent candidates elected, representing 3.92 percent.

In the current Taipei City Council, there are 41 Kuomintang councilors, eight non-partisans and two independents.

Meanwhile, in the election of the Second Kaohsiung City Council, 32 of the 47 Kuomintang candidates won their seats, accounting for 76.12 percent in the 42-member council, while three of the six candidates recommended by the nonpartisans were elected, accounting for 7.14 percent.

Seven independent candidates participated in the election and were elected, accounting for 16.66 percent in the council. Young China Party and China Democratic Socialist Party did not contend in the elections of both the Taipei and Kaohsiung City Councils.

According to statistics compiled by the election commissions, 1,008,314 or 65.53 percent of voters in Taipei cast their ballots of which the Kuomintang candidates won 714,088 votes or 72.38 percent. The non-partisan candidates won 210,682 ballots or 21.36 percent while the independent candidates received 61,754 votes or 6.26 percent.

In Kaohsiung, 73.98 percent or 561,441 voters turned out at the polling stations for the election. Kuomintang candidates won 103,757 votes or 18.48 percent.

In the election of 21 county magistrates and city mayors, the Kuomintang candidates won 17 or 80.95 percent, and in the election of Taiwan provincial assemblymen, the Kuomintang candidates won 59 of the 77 seats or 76.62 percent.

The statistics show that of the 191 seats elected in the local elections, the Kuomintang candidates won 146 or 76.84 percent while the non-partisan candidates were elected to 26 or 13.61 percent. The rest went to the independents.

Praise From Opposition

OW180421 Taipei CNA in English 0320 GMT 18 Nov 85

[Text] Taipei, Nov. 16 (CNA) -- Leaders of the Young China Party and the Democratic Socialist Party Saturday praised the local elections this year as being harmonious and fair, saying that the elections could be regarded as a milestone in the nation's efforts to promote democracy.

Yang Yu-tzu, a member of the Presidium of the Democratic Socialist Party, said that according to his observation, the quality of the candidates this year is better than those in the past.

However, he said, he felt regret that a few candidates attacked their opponents in rude ways during the campaign period. Yang said he hopes that similar situation will not happen in the future.

Commenting on the ruling Kuomintang's nominating procedure, Yang said that as a leader of the opposition party, he hopes that the Kuomintang will not always nominate a full number of candidates to run and give candidates of other parties more chances to participate in politics.

Shen Yun-lung, director of the Propaganda Department of the Young China Party, said that in general, both candidates and voters were quite rational and calm during the campaign period, thus facilitating the election to be held in a peaceful atmosphere.

Shen said that some of his party members were also taking part in the elections this year, but most of them were running as independent candidates. Such a mentality reflects that the Young China Party should strengthen its operations in the future, he said.

GOVERNMENT CONSIDERS WARSHIP BUILDING PROGRAM

OW190313 Taipei CNA in English 0237 GMT 19 Nov 85

[Text] Taipei, Nov. 18 (CNA) -- The ROC Government said its Ministries of National Defense and Economic Affairs are considering a warship-building project drafted by the state-run China Shipbuilding Corp [CSC].

In a written reply to Legislator Chang Chien-hwa Monday, the Executive Yuan also said overall improvement is a major goal of forming a newer generation for the Navy. New naval ships will in principle be constructed in Taiwan, fusing foreign technology with other resources here, the Executive Yuan said.

The yuan said the modernization of the ROC naval fleet is based on such requirements as maintaining military superiority in the Taiwan Strait and staying prepared for war. Much progress has been made in this field over the years, the nation's highest executive agency said in the reply.

The yuan also said the CSC, whose operation centers on commercial vessels, has succeeded in building patrol boats. The company is now seeking to sell the patrol boats to non-communist countries having cordial relations with the Republic of China.

CHING PAO DISCUSSES CPC'S 'THIRD ECHELON'

HK191125 Hong Kong CHING PAO in Chinese No 11, 10 Nov 85 pp 10-11

[Article by staff special reporter Chang Jung: "Members of the CPC's Third Echelon of Leadership Hold Key Posts"]

[Text] The succession of new cadres to old carried out at the National Conference of Party Delegates held last September has become the focus of world attention and people have said all sorts of things about it. The effort made by Deng Xiaoping to promote a large number of up-and-coming youngsters to key leading posts aims at building an echelon-style leadership structure of his own design so as to guarantee the continuity of the party's current line and policies.

The CPC's "third echelon" represented by Hu Qili has made an excellent impression in China's political arena in recent years. Deng Xiaoping as well as Hu Yaobang and Zhao Ziyang, chiefs of the "second echelon," all think highly of it. The participation of the "third echelon" in the CPC's highest decision-making organ and the promotion of a great number of new cadres to leading posts of the party, government and Army at the provincial and regional levels, no doubt, will instill new vitality into the regime in mainland China. As time goes on, the trends, promotion and achievements of these people all deserve great attention.

An All-Round Succession of New Cadres to Old and a Large Number of New Stars Appear

Generally speaking, people abroad pay attention only to the change of personnel in the CPC's policy-making organs. However, they do not know that the drive to "reduce the average age" of cadres has unleashed an all-round "succession of new cadres to old" even in mines, enterprises, government offices and schools at the grass-roots level. The latest estimate shows that 1.2 million cadres at various levels have retired, while over 200,000 younger cadres have been promoted to posts at or above the county level, 60 percent of whom were educated at colleges and universities.

A big reshuffle of party and government leaders has been made in the 29 provinces, cities, and autonomous regions. With the exception of Zhou Hui of Nei Monggol, Xiang Nan of Fujian, and Hei Boli of Ningxia, who continue to hold their posts though they are over 65, others have all been replaced by cadres in their prime. And according to Deng Xiaoping's plan, a ladder-style structure of leadership at the provincial level in the 40's, 50's and 60's age groups has been built. It has been learned that 126 young cadres have been promoted to leading posts at the provincial level; 100 of them are college and university graduates and 79 are between 40 and 50 years old.

Meanwhile, 47 young cadres have recently been appointed heads of ministries, committees, offices and bureaus affiliated to the State Council, and 80 as deputy heads. For the time being, it is still difficult to replace the elderly Zhang Aiping, minister of national defense; Lu Dong, minister of the State Economic Commission; and Ji Pengfei, director of the Office in Charge of Hong Kong and Macao Affairs; because they shoulder heavy responsibilities. However, all other key posts have been assigned to promising young people. It is said that the average age of cadres at the ministerial level working at offices affiliated to the State Council is about 57. It is likely that another group of young people will be appointed ministers at the NPC scheduled to be held next spring.

It goes without saying that in order to carry out the four modernizations policy of "making the people prosperous and the country strong," the CPC has to use young people with both professional knowledge and a high cultural level.

The five former political requirements for worthy cadres set by Mao Zedong have been replaced by five new requirements (namely, political integrity, ability, education, knowledge and achievements). For example, Song Jian, who recently succeeded Fang Yi, minister of the State Scientific and Technological Commission, is actually a cyberneticist of some note. The newly-appointed minister of geology, Zhu Xun, is an experienced geological engineer. Others like Ding Henggao, minister of the Commission of Science, Technology and Industry for National Defense; and those who are in charge of the Ministry of Ordnance Industry, the Ministry of Electronics Industry, the Ministry of Astronautics Industry, and the Ministry of Nuclear Industry are all outstanding young people with professional knowledge. In addition, many cadres who were recently appointed leaders of local party and government organizations are also lean Red people. For example, the newly-appointed secretary of the Liaoning Provincial CPC Committee, Li Guixian, graduated from the Mendeleyev Chemical Engineering Institute in Moscow and worked as chief engineer of an electronics factory. Yin Kesheng, secretary of the Qinghai Provincial CPC Committee, was one of the first group of petroleum engineers who exploited the Chaidamu Basin. Most of them have been elected new members of the CPC Central Committee.

Everyone knows that there is no lack of talented people in a great and proud country with a population of 1 billion. However, what is most important is how to make proper use of the strong points of these people. It has been learned that the Organization Department under the CPC Central Committee has delegated the power of appointing and dismissing cadres at the departmental, bureau, and prefectural levels to provincial authorities and ministries. In this way, those political stars of the "third echelon" will have bigger power than before. However, it is still too early to say whether they know their subordinates well enough to assign them jobs commensurate with their abilities.

Rising Stars Who Are Occupying Decisive Positions

In the eyes of Deng Xiaoping, who is described as the "chief designer of China's modernization" in mainland China, Hu Qili, Li Peng, Tian Jiyun, Qiao Shi, Wu Xueqian, Hao Jianxiu and Wang Zhaoguo are, no doubt, the most important rising stars among members of the "third echelon." The first four of the group are members of both the Political Bureau and the Secretariat of the CPC. They not only handle the CPC day-to-day work but also are senior policy-makers, so they are more conspicuous than others.

Hu Qili, 56, was born in Yulin County, Shaanxi Province. In 1947 when he studied at the department of mechanical engineering of Beijing University, he plunged into the "anti-civil war, anti-hunger, and anti-persecution" struggle led by the CPC. His leadership ability showed even when he took part in student movements. In 1948 he was admitted to the CPC. After finishing school, he became a member of the CPC Committee Standing Committee and concurrently secretary of the CYL Committee of Beijing University; he was the chairman of the All-China Students Federation; and he was a member of the Secretariat of the International Students Federation. Because Hu Yaobang thought highly of him, he quickly became an alternate member of the CYL Central Secretariat. During the "Cultural Revolution," Kang Sheng stigmatized Hu Yaobang, Hu Keshi, Hu Qili and Wang Wei as the "three-Hus and one-Wang" group. They were bitterly attacked and criticized in turn and their mental health was greatly injured. After the collapse of the "gang of four," Hu Qili held the important posts of secretary of the CYL Central Committee, mayor of Tianjin, and director of the General Office of the CPC Central Committee.

This year Hu Qili has become even more important in the political arena of mainland China and further proved himself to be a very able and astute leader. The national meeting of writers representatives and the national education conference, which Hu Qili presided over, involved most sensitive and tough problems which had remained unsolved for a long time.

However, he successfully guided the course of the meeting, where he advocated "freedom of literary and artistic creation." His action has so far been admired by Deng and Hu and supported by writers. At the national education conference, he called for the establishment of a committee for education instead of the Ministry of Education. This has attracted attention throughout the country and as a result his reputation has risen sharply. Meanwhile, he also led a central delegation to attend the ceremonies celebrating the 20th anniversary of the establishment of Xizang Autonomous Region, and another central delegation to Xinjiang to express sympathy to people in earthquake-stricken areas, where he displayed his promising ability to handle national affairs and unexpected accidents. Before the National Conference of Party Delegates was held, he personally explained the matter to all democratic parties in Beijing on behalf of the party organization. When some new trends appeared among university students in Beijing and Xian, it was he who went there to educate them. All this shows that he occupies a decisive position in the top CPC leadership.

Not long ago, some Hong Kong newspapers conjectured that Hu Qili would replace Ye Jianying in the CPC Political Bureau, but this was proved wrong at the end of the 5th Plenary Session of the 12th CPC Central Committee. In my humble opinion, although members of the CPC second echelon like Hu Yaobang and Zhao Ziyang, some of whom took part in the 25,000-li Long March and went through battles in the war of resistance against Japan, are not like those "old revolutionaries" in the early days of the founding of the CPC in the 1920's, they too are long-tested revolutionary fighters. For this reason, they are now able to handle day-to-day work on the frontline. But even so, Deng Xiaoping, Chen Yun, Li Xiannian and other revolutionaries of the "older generation" still have to make checks on major policy decisions. As to members of the "third echelon" like Hu Qili, the eldest of them joined the CPC only after the war of resistance against Japan and none of them has been tested and tempered for long. Obviously, it is still necessary to see whether they can handle such a complex situation well, whether they can take on heavy responsibilities, and whether they can guarantee the continuity of the Deng-Hu-Zhao line. In view of past lessons where some cadres held high positions, but were unworthy of their titles, Deng Xiaoping probably thinks that the process of "reducing the average age" of members of the CPC Political Bureau Standing Committee should be slowed down and the succession of new cadres to old will be carried out at a more suitable pace.

Among the rising political stars, Li Peng is also very noticeable. Aged 57, he was born in Chengdu, the son of Li Shuoxun, a revolutionary martyr of the CPC. He was adopted by Zhou Enlai and Deng Yingchao during the war of resistance against Japan and was brought to Yanan. At the end of 1948 he was sent to the Soviet Union to study at the Moscow College of Dynamics. He worked in departments of electric power for a long time after he came back from Moscow. In 1983 he was appointed vice premier of the State Council and was put in charge of transportation, energy, electronics, machine-building and education, thus becoming an outstanding economic expert in the CPC. Now he is also the chairman of the Education Commission and of the environmental protection committee under the State Council. At the same time, he is the head of the leading group for construction of the Three Gorges in the Chang Jiang, of the leading group for development of nuclear power, and of the leading group for development of electronics industry under the State Council. Li Peng is very energetic, intelligent and capable. He is outstanding among the members of the "third echelon."

Being Open-Minded and Working for Reform

Tian Jiyun, 56, was born in Feicheng, Shandong Province. He is a finance and economics cadre who was gradually promoted from the grass-roots units after the founding of the People's Republic. He was once director of the Sichuan Province department of finance.

After Zhao Ziyang assumed his new post in Beijing, Tian and Li Peng were also appointed vice premiers and he concurrently holds the post of general secretary of the State Council. Tian Jiyun was one of the major policy-makers for "restructuring the national economy as a whole with the focus on the urban economy." The restructuring, which involves reform in the fields of pricing and wages and affects the life of millions and millions of people, is being carried out under his guidance. He pointed out: "The reform, which did not produce wide repercussions in society, is actually a success because careful arrangements were made and adequate measures were taken beforehand." It seems that his official career will become more brilliant with the development of the reform.

Some people believe that Li Peng or Tian Jiyun will likely replace Premier Zhao Ziyang after 2 years when Zhao's term of office expires. This does not look like a rumor, but in mainland China, the premier of the State Council is usually not entitled to be a member of the CPC Secretariat. State Councillor and Foreign Minister Wu Xueqian is now 64 and is very learned. He was a member of the Standing Committee and head of the International Department of Hu Yaobang's CYL. Meanwhile, he is a party member of 46 years' standing and has now become a member of the CPC Political Bureau. So it is not impossible that he will be appointed premier of the State Council. This will probably be more helpful to the continuity of the policy of "opening up to the world." Anyway, it is still difficult to draw a conclusion from the present situation.

INDONESIAN COMMERCE CHAMBER TO OPEN PRC OFFICE

HK200217 Hong Kong WEN WEI PO in Chinese 19 Nov 85 p 1

[Dispatch from correspondent Cheng Hsiang: "Indonesia To Open Office in Beijing"]

[Text] When interviewed by this reporter at the Asia-Pacific trade fair, Nawawi [name as published], president of the Indonesian Chamber of Commerce and Industry, stressed that direct trade between China and Indonesia has good prospects. It is expected that in the first year after the signing of the trade memorandum, the volume of direct trade between the two sides will reach \$1 billion.

Nawawi added that his organization was gradually establishing contacts with China. An office would soon be established in Beijing. Later, branch offices would also be set up in Shanghai, Guangzhou, and Xiamen.

He pointed out that Indonesia attached importance to direct trade with China and that this policy was supported by the Indonesian Government and public. Therefore, beside the present four ports, including Jakarta and others, Indonesia planned to open up four more ports for direct trade with China.

UK-PRC RIFT OVER HONG KONG REFORMS ALLEGED

HK200617 Hong Kong SOUTH CHINA MORNING POST in English 20 Nov 85 p 2

[By Michael Chugani]

[Text] As Hong Kong officials scurry to deflate rising hopes of direct elections as the next step in reforms, the most clear signs yet are emerging of a widening rift in thinking between Britain and China over the sensitive question of political changes here. There is growing evidence to suggest that behind the smiles of the politicians who insist all is well there lurks a damaging mistrust of each other's intentions. This harbouring of suspicion by both London and Beijing is now at a stage where it is beginning to pose a threat to the well-being of Hong Kong in the area of political development.

It is an undeniable fact, although seldom admitted in blunt language, that Beijing's leaders will not tolerate anything but cosmetic political reforms in Hong Kong leading up to 1997.

Over the past months there have been coded signals from China's representatives here that too many changes at too fast a pace will only lead to a total dismantling of the reforms when sovereignty changes hands in 1997. In other words they are saying the British must refrain from taking any meaningful strides in political reforms for Hong Kong. It is now becoming evident that this hardline attitude by Beijing is beginning to irritate the British who believe that unless Hong Kong is allowed to evolve politically at a pace that meets the aspirations of the population, trouble lies ahead.

The British thinking appears to be that newly-recovered faith in the economic viability of Hong Kong as a powerful trading bastion will rapidly diminish once again if it becomes obvious the people are less than happy with a stagnant political structure. Despite recent conciliatory behaviour by senior Hong Kong Government officials designed to reassure Beijing that they have nothing sinister hidden up their sleeves, Britain appears to still feel there should be no forced standstill of political reforms until 1997. Yet that is precisely what Beijing's leaders want. They are of the opinion that if there is to be any political changes before 1997, the impetus must come from their agents in Hong Kong not from the colonial government.

This disturbing scenario -- essentially one of posturing between the two sides on a very delicate issue -- is threatening to put cracks in the 1997 agreement. The Sino-British agreement itself does not make clear at all what form of government Hong Kong should have after 1997 except that there should be an elected legislature to which the Chief Executive is accountable.

It is now apparent that the two sides are interpreting the agreement differently on the question of how far political reforms can be taken. China is intent on devising its own system for the future Special Administrative Region of Hong Kong. It intends to do that through the Basic Law Drafting Committee -- a body of 59 members appointed by Beijing to prepare a new constitution for Hong Kong. Until this committee, which includes 23 Hong Kong residents, produces a draft blueprint of the future constitution, China wants Britain to freeze all meaningful political reforms for Hong Kong. The Chinese thinking is that if there are to be major changes in the run-up to 1997, the initiative must come from the Basic Law Drafting Committee. Chinese leaders have also indicated that if there must be cosmetic reforms, such changes must conform with the Basic Law. This poses two problems for the British and Hong Kong authorities.

First, members of the public who are invited to express an opinion on political changes may tell the government one thing and the Basic Law Drafting Committee another because they are mindful it is Beijing-controlled. Second, a link for views to flow must be found between the Hong Kong Government and the Basic Law Drafting Committee. There are a number of members who sit on both the committee and the Legislative Council but relying on them as the sole go-betweens would be placing too much power in their hands.

The Chinese shackling of the British role in Hong Kong on the question of reforms, thereby turning the local colonial administration into a lameduck government, has dumped London in what looks like a no-win situation. For to accept Beijing's thinking would put Britain in the humiliating role of being a mere janitor in Hong Kong, looking after the place while China formulates a new political structure. Aside from reducing Britain to a caretaker in Hong Kong for 12 years, a halt to the natural evolution of political development will almost certainly nurture unrest among the population, leading to a new crisis of confidence.

Hong Kong will naturally be the ultimate victim should this happen. Yet for Britain to insist it has every right to make changes while Hong Kong is still British territory could incur the wrath of Beijing's leaders. And such wrath, as has been proven in the past, can be a very destabilising force for Hong Kong which remains ever vulnerable to radical political outbursts.

Unlike the time three years ago when Britain and China were negotiating Hong Kong's future -- and the territory was denied a voice in the talks -- Britain now apparently feels that unless Hong Kong people themselves speak up and demand political reforms, there will be a limit to what the British can do in withstanding Chinese demands for a freeze on changes. Perhaps not surprisingly the current scenario is ironically similar to that of 1983 when the Sino-British talks over Hong Kong were at its stormiest. At the time the Chinese harboured a deep suspicion of British intentions to cling to Hong Kong's wealth, while Britain insisted that a vanishing of its role would leave the territory in economic ruin. There seems to be no immediate solution to the current impasse in thinking between the two sides over what is best for Hong Kong politically in the long run. Rather, there appears to be a gradual return of the vicious propaganda war that marked the height of the 1997 talks when Beijing launched a continuous barrage of verbal attacks during a stalemate in the negotiations.

Only last month, the Chinese-language MIRROR magazine -- which often reflects official thinking in Beijing -- carried a long article which made clear China had no obligation to honour political changes in Hong Kong after 1997. The article attacked any attempt to install and force upon China what it described as a future Hong Kong leadership loyal to Britain so as to protect British economic interests after 1997. Making clear that any attempt to return the sovereignty but not the administration of Hong Kong would be unacceptable, the magazine went on to suggest that the government postpone the 1987 review of the political structure until the Basic Law Drafting Committee complete its work.

British officials are bound to have taken very seriously the message contained in the magazine and would have gone as far as to interpret it as a reflection of official Chinese thinking. That being the case, it would not be unreasonable for Britain to think the worst, which is that China has once again adopted an inflexible position reminiscent of the 1997 negotiations. Aside from calling on the Hong Kong Government to put off its review of the political structure in 1987, the MIRROR magazine article also suggested that the question of reforms can be brought up for discussion in the Joint Liaison Group [JLG] -- a contact group of British and Chinese diplomats -- when it meets in Hong Kong in 1988. Some would view this as placing too much influence at the door of the JLG which -- as has been promised by both sides -- will not be turned into an organ of power to overshadow the Hong Kong Government.

If one were to read a message into China's unbending position on the question of political reforms in Hong Kong, an unmistakeable picture emerges: Britain must leave any changes to the Chinese. Whatever changes that are made must be done through the Basic Law Drafting Committee and must be to Beijing's liking. And when the drafting committee produces a constitution in 1990 it will be discussed in the Joint Liaison Group. Chinese officials will then propose to the JLG that the Basic Law -- because it is ready -- should be implemented before 1997. If this scenario is borne out, China will have in effect recovered Hong Kong well before the lease runs out.

JOINT PRC-ARAB MERCHANT BANK VENTURE EXPECTED

HK200851 Hong Kong SOUTH CHINA MORNING POST (BUSINESS NEWS Supplement) in English
20 Nov 85 p 8

[By Olivia Sin]

[Text] An agreement to form a joint venture merchant bank between the China International Trust and Investment Corpn [CITIC] and Arab interests will be concluded in two months. The venture, to be based in Beijing, will be evenly owned by the Chinese corporation, BCCI Holdings (Luxembourg) SA, a bank holding company with Arab interests, and Abu Dhabi Investment Co.

The United Arab Emirates is said to have a 10 percent interest in the Abu Dhabi Co and the remaining stake is held by rich princes in the Middle East. A reliable source close to BCCI said a letter of intent between the three parties was signed earlier this year.

Under the agreement, the joint venture, known as China Arab Investment Co will have an initial capital of US\$50 million. The company will help channel Middle East's petrodollars into China and will focus on project finance activities in the country.

The source said the parties have agreed on the shares and capital and are waiting for final approval from the Ministry of Finance.

If the joint venture is approved, it will be the second financial institution jointly set up by CITIC and the Royal Bank of Canada which jointly set up a merchant bank in Hong Kong last year to provide project finance and consultancy services.

Meanwhile, BCCI's chief executive in Shenzhen, Mr Waris Hussain said the bank's south China division will have its headquarters in the special economic zone. He said the new division will be housed in the bank's new Shenzhen branch which will be opened early next month.

BCCI is the second foreign bank to obtain a branch licence to operate in the zone. BCCI is believed to be one of a few foreign banks to set up its south China office in Shenzhen. The usual practice of other banks is to either open an office in Guangzhou or to incorporate their south China desk into their Hong Kong regional office.

Mr Hussain said the advantage of operating the desk in Shenzhen is to better serve Chinese corporations whose officers may not be allowed to go to Hong Kong.

He declined to disclose the yearly operation cost of the branch, but analysts said it would be about HK\$3 million.

The Shenzhen branch will handle bills, the trading of foreign exchange and deposits.

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